

The Role of International Financial Institution in Local Governance:

Study of Asian Development Bank in Sikkim

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DECLARATION


I declare that the thesis entitled “**The Role of International Financial Institution in Local Governance: Study of Asian Development Bank in Sikkim**” submitted to Sikkim University for the award of the degree of **Master of Philosophy** is my original work. This thesis has not been submitted for any other degree of this University or any other university.


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This is to certify that the thesis entitled “**The Role of International Financial Institution in Local Governance: Study of Asian Development Bank in Sikkim**” submitted to the **SIKKIM UNIVERSITY** in partial fulfilment of the requirements for the degree of **Master of Philosophy (Social Sciences) in International Relations** embodies the results of *bona fide* research work carried out by **Ms Shraddha Rai** under my guidance and supervision. No part of the thesis has been submitted for any other degree, diploma, associate-ship, fellowship.

All the assistance and help received during the course of the investigation have been duly acknowledged by her.

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ABBREVIATIONS

- ADB:** Asian Development Bank
- ASEAN:** Association of South East Asian Countries
- BRO:** Border Road Organisation
- CPS:** Country Partnership Strategy
- CBO:** Community Based Organisation
- DFID:** Department for International development
- FTA:** Free Trade Agreement
- GoA:** Government of Assam
- GoI:** Government of India
- GoS:** Government of Sikkim
- IIFCL:** India Infrastructure Finance Company Limited
- IFIs:** International Financial Institutions
- IHCAE:** Indian Himalayan Centre for Adventure and Ecotourism,
- ILO:** International Labour Organisation
- IMF:** International Monetary Fund
- JBIC:** Japanese Bank for International Cooperation
- JICA:** Japan International Cooperation Agency
- JSF:** Japans Special Fund
- MDG:** Millennium Development Goal
- MDONER:** Ministry of Development of North East Region
- MFF:** Multi-Tranche Financing Facility
- MOU:** Memorandum of Understanding

NBCC: National Building Construction Corporation

NEC: North East Council

NERCCDIP: North East Region Capital Cities Development Investment Programme

NESRIP: North Eastern State road investment programme

NH: National highway

OECD: Organisation for Economic Cooperation and development

PHE: Public Health Engineering

PPP: Public-Private Partnership

PPTA: Project Preparatory Technical Assistance

PWD: Public Work Department

SAP: Structural Adjustment Programme

SASEC: South Asia Sub-Regional Economic Cooperation Programme

SHG: Self Help Group

TA: Technical Assistance

UDHD: Urban Development and Housing Department

UNDP: United Nation Development Programme

UDHR: Universal Declaration of Human Rights

WB: World Bank

WTO: World Trade Organisation

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CHAPTER - I

INTRODUCTION

CHAPTER 1

INTRODUCTION

Governance under the larger ambit of the international financial institutions (IFIs) has emerged as a buzzword in the domain of development, particularly in the context of the global south. The popular notion that to be effective, governance should be pluralistic and that authority should spread across many levels, and across 'multiple centres of authority (Hooghe and Marks, 2003), has had a large-scale impact in the overall functioning of the world politics. This as such is evident from the increasing variety of actors that engages in various sector of the order elevating the idea of the governance to be even more contemporary, broader, and encompassive.

Though the term 'governance' has been in usage for quite some time, the importance of it in case of the financial institution became relevant when the World Bank (WB), in 1989, raised the issue of improving development performance (Choudhary, 2000). In its document on Sub-Saharan Africa, it affirmed that due to 'crisis of governance' the Banks programmes of adjustment and investment were not proving effective (Choudhary, 2000). As a response to this document, there came up a push for good governance as a 'sound development management', which was defined by the Bank as "the manner in which power is exercised in the management of the country's economic and social resources and development" (World Bank, 1992). Since then, the idea of governance parallel to the institutions has become an integral part of their globalising agenda as set largely by dominant capitalist countries in the world. Although the governance aspects ensured by these institutions has remained a topic of both controversy and consensus, what remains to be considered is the prominence of these institutions in the contemporary time, especially in the economic and development spheres.

One of the measures through which these institutions enter into any state or region is through the channelization of aid and loans. Developing countries have often tended to accept the proposition that aid and loan is a crucial and essential ingredient for their development process. This idea became prominent after the Second World War when western countries started contributing to the socio economic reconstruction programme of the war allies. In the course of time, the issue became worldwide

phenomena with many countries in the world accepting the foreign aid or loan and getting different benefits along with adverse results (Sahoo and Sethi, 2013).

It is therefore apparent that the engagement of the IFIs is in operation in many different parts of the world, wherein the need for assistance in terms of socio-economic development is required. This as such includes a large part of the third world and the Socialist bloc. The engagement of the IFIs in these countries has had a very huge impact in the overall functioning of the states. The important thing to understand here is that, this institutions advocates the idea of governance with a view that better quality of governance would promote development, which in their opinion is not happening in these regions. However, though the ideas advocated by these institution has a positive tone, in practice the reforms initiated by it has diverse implications with some of the countries benefiting from its policies and others having adverse impacts (Choudhary, 2007).

When it comes to India a systematic and comprehensive agenda of reforms unfolded with the balance of payment crisis of 1991. The reform package first came as conditionalities attached by the International Monetary Fund (IMF) and World Bank (WB) as part of the financial loans provided to the country to overcome the immediate crisis. In addition, other major multilateral and bilateral agencies such as Asian Development Bank (ADB), United States Agency for International Development (USAID), Department for International Development, UK (DFID) that operated in India, made governance reforms an important part of their agenda (Choudhary, 2007). It is important to understand in this context that, the reforms in India initially started at the centre but with the intensification of the neo-liberal ideas with its advocacy of good governance, it moved on to the state level with numerous reforms sweeping India at the state level in the second half of the 1990s. However, the pace and the depth of the reforms seems to vary particularly at the state level, with some of the states moving very fast like Andhra Pradesh and Gujarat, some very slow like Bihar and some in the middle like Kerala (Choudhary, 2007).

Northeast India as such was no exception to it with the reforms under the IFIs encompassing the states particularly from the 1990s onwards. The three major IFIs involved in influencing, legitimizing and funding the projects in northeast region are WB, ADB and Japanese bank for international cooperation (JBIC). However, it was

only since the year 2004 the infiltration of ADB in particular was witnessed in the region. The sudden importance to the region can be attributed to various factors of which the economic consideration tops the rank.

Sikkim, an erstwhile Himalayan kingdom that comes in a larger cauldron of northeast, has been a state of India since its merger in 1975. Located in the eastern Himalaya, it is wedged between the kingdom of Nepal in the west and Bhutan in the east. Immediately after its integration, the state was given utmost importance by the centre owing to the external as well as internal threats, but when it comes to economic and development front, it remained very much neglected with very little interest from both the centre and the state. However, it was only after mid 1990s that the state started opening up and started paying adequate attention to the development aspect of the state with required help from the centre. Sikkim like any other states in India was not immune to the forces of liberalisation. In fact, the pace of openness and development as compared to the other small states in the region is quite high, and has successfully managed to attract the attention of the investors from different parts of the world.¹

As understood from various literatures (Pickard 1997, Hoogvelt 2001, Wangkhierpam and Yumnam 2006), the engagement of any state with the IFIs usually brings the downfall and the loss of state sovereignty with unequal development. However, this aspect when it comes to Sikkim has not been analysed or for that matter not been open to the public in general. This is more critical especially when number of projects are being funded and owned through these institutions. Therefore, what this study tries to undertake in line with the aforementioned aspects is the in-depth study and a critical analysis of the functioning of the IFIs, especially the ADB in Sikkim.

ORGANISATION OF THE STUDY

For the chapter that follows the organisation of the study will be according to; the objective of the study followed by the theoretical framework on governance. Then the literature for the study is put forward sustained by the methodology, research questions and the chapterisation for the study.

¹For example: MOU with the Dutch consortium of Holland, Switzerland, building and construction authority of Singapore, Choudhary group of Nepal.

Objectives of the Study

The entry of the Bank in case of Sikkim can be found in almost all the important sector of the state like, urban and infrastructural development, agriculture, capacity building. It in recent times has also made its entry in one of the most important sectors of the state, that is, tourism. However, what is still missing as stated earlier is to view these operations of the bank from critical lenses. The Literatures available till date have mostly been journalistic writings and hence mere descriptions of statistical data. Hence, the study aims to examine; whether there has been change in the local governance of the state with the entry of ADB, and whether there has been compatibility, clash or some kind of adjustment within the institutions and their structure and decision-making procedures.

It as such will analyse the initiatives of ADB's programme in Sikkim employing the framework of Governance. Furthermore, the study will most importantly seek to address the role, impact and implication of ADB in Sikkim, with the major objectives of the study being to understand the impact and implication of the bank in local governance. In short, following are the main objectives of the study.

- i) To examine the role, impact and implication of ADB in Sikkim.
- ii) To trace the change in the pattern of local governance of the state.
- iii) To find out whether there has been changes in the local governance of the state with its entry; and whether there has been compatibility, clash or adjustment within the institutions, their structure and their decision-making procedures.

Governance: Theoretical Framework

Governance although very fashionable now, is a concept that is as old as human history. The rise in the popularity in the use of the term is closely linked with the redefinition of the role of the state. Traditionally, state was taken to as an engine of growth, but its failure to deliver growth and economic development led it to be blamed for everything that had gone wrong. Ineffective development policies and poor implementations of these policies together with inefficient and incompetent absorption of international aid triggered the search for alternative framework for policymaking and alternative institutions for delivering public services (Mathur,

2008). This is where the whole idea of institutions with its insistence on global governance, backed by the liberal theory made its headway and entered the common parlance.

There as such is no universally accepted definition of the term governance, but it in its essence is generally referred to the actions and processes by which stable practices and organizations arise and persist (Makinda, 2009). The Commission on Global Governance for instance has defined 'governance' as 'the sum of the many ways the individuals and institutions, public and private, manage their common affairs'. It has posited that governance is 'a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken' (Commission on Global Governance, 1995: 2).

The World Bank and the International Monetary Fund, on the other hand use the idea of (good) governance, which refers to a particular type of political and economic order, which is more vibrant, and thriving in a democratic society wherein transparency in governments and free markets are important. In addition, it is taken as an umbrella concept that refers simultaneously to most of the things that the government do through the institutions and bureaucracy to the common people in their daily life (Singh, 2012). However, this version of 'good governance' disseminated by these institutions has been costly to many developing countries owing to some of its stringent conditions. Although these institutions has started to emphasise different priorities following the crises in East Asia in the late 1990s their idea of good governance, nevertheless is still very much the same and still associated with reduction in public expenditures and control of the market (Mathur, 2008).

However, it is important to understand that although this institution uses the pre fix 'good' in their governing agenda the concept is very much the same as governance. Thus, governance in a simple understanding refers to formal and informal sets of arrangements in global politics, which implies that states alone cannot manage global affairs, and therefore accord roles to international governmental organisations (IGOs), non-governmental organisations (NGOs) and multinational corporations (MNCs). It as such is concerned with the network of relationship of three actors, i.e. state, market, and civil society wherein each institution depends on the other (Mathur, 2008).

The development of the idea of governance is not only important and increasingly applied in the global level but has also started to be emphasised and disseminated in the regional and the local level with equal emphasis and role from both the internal and the external players. Thus, for James Rosenau, whether at the grassroots or global levels, the term, 'encompasses the activities of governments, but it also includes the many other channels through which "commands" flow in the form of goals framed, directives issued, and policies pursued'(Rosenau, 1995).

The international relation literature on governance is said to have emerged after the collapse of communism and the bipolar world order (Weiss, 2000; Halliday, 2000; Dingwerth and Pattberg, 2006; Rosenau and Czempiel, 1992). Many factors like the dissatisfaction with the state-dominated models of economic and social development, growing dissatisfaction among students of international relations with the realist and liberal-institutionalist theories, and the increase in vast numbers of non-state actors in the international system led to the increasing importance of the idea of governance. Thus, the discipline readjusting itself to the need of the time started to accept that interdependence is an increasingly important feature of the new world order and accepted the call for commonly accepted norms, rules, and patterns of behaviour which in turn facilitates the condition for international cooperation (Holsti,1992). Thus, addressing the idea of global governance there are four dominant approaches in the discipline of international relations, these are, Realism, Liberalism, Constructivism and Marxism.

Review of Literature

Aid or loans in literatures of financial institutions, remains to be an important tool for enhancing the development prospects of a state. It directly affects both the growth and the development process of developing countries through being a supplement to the scarce domestic resource and act as a source of capital formation (Morrissey, 2001). At the same time, a huge amount of external assistance inflow may also create threat for a large amount of external debt burden in a long run. The extent to which an aid or loans can be a decisive factor in the development of the economy remains to be controversial.

There are diverse views regarding the impact of IFIs on the issue of the governance and development by various researchers. While some hold the view that it has a

positive implication, others hold the view that is adverse, and the others view that the effect could be negative or positive depending on several factors.

Kameshwar Choudhary (2007), Robert O Keohane (2002), John Ravenhill (2008), Ngaire Woods (2010), Jan Aart Scholte (2010), have mainly focused on the increasing importance of the institution led by the neo-liberal paradigm wherein there is a constant interplay between the major themes like globalisation, governance, and development. These themes are replete in all of their works. The basic understandings that we can generate from all of these works is the gradual withdrawal of the 'state' from many sectors and the gradual replacement of it by various institutions, which works in the form of governance in a broader level. While these works emphasise on the increasing role of the finance institutions in terms of its aid and assistance they also highlights the negative aspects and the consequences of it.

Fred Halliday (2000), Thomas G. Weiss (2000), James N. Rosenau (2000), James M. Boughton and Colin I. Bradford, Jr.(2007), Devesh Kapur and Richard Webb (2000), Joginder Singh (2002) in their works has dealt exclusively with the concept of governance. Although their content differs largely the idea of the governance as a process remained intact.

Weiss (2000) in his article considers the proposition that ideas and concepts, both good and bad, have an impact on international public policy. It situates the emergence of governance, good governance and global governance, as well as the UN's role in the conceptual process.

Halliday, in his article discusses the functions and reform of global governance that is required after 1990s. He argues that advocacy of global governance must be matched by political realism on the one hand, and the recognition of the need for difficult ethical choices on the other.

The central feature that Rosenau and Czempel examine in their work is evident from the title of the book itself, that is, "*Governance Without Government: Order and Change in World Politics*", 1992. The author along with the other scholars (Clark, Booth, Holsti, Strange) has explored the behavioural patterns, and institutional arrangements that give structure and direction to the diverse forms of governance prevailing in different parts of the world. He as such disseminates the idea of

relocation of authority from that of state to other actors. Similarly, Kapur and Webb in their document, “governance related conditionalities of the international financial institutions” (2000), examine the newfound enthusiasm for governance-related conditionalities in the International Monetary Fund (IMF) and World Bank lending. They have placed the argument that these new agendas have focused in particular on institution-building efforts by borrowers to increase accountability, transparency, the rule of law, and participation.

The survey of literatures on IFIs like that of Miguel Pickard, T.K Mishra, Bakker (1997), Ankie Hoogvelt (2001), Helen V. Milner (2005) Ramananda Wangkhierpam and Jiten Yumnam (2006), Burnside and Dollar (2000), Singh (1985), Kalpana Sahoo and Naryan Sethi (2013), reveals the mixed views with regard to the workings and the impact of the international financial institutions. Miguel Pickard in his article “Let’s rid the world of international financial institutions” at length has emphasised on the miss doings of these institutions and how their existence can only bring out the worse in a given state or region, ample of instances has been provided by the author so as to substantiate his arguments. These works as such has uncovered various lacunas, which give the reader enough insights on the workings of the IFIs. The authors have also highlighted the implications of IFIs under the larger banner of ‘development of the underdeveloped’. Taking the same line Ankie Hoogvelt aptly highlights these institutions to be nothing but instruments of monopoly capitalism designed to exploit the countries of the third world.

Burnside and Dollar (2000), Singh (1985), Kalpana Sahoo and Naryan Sethi (2013), further examine and highlight the positive role of IFIs in terms of the governance and development of the state. They claim that aid from these institutions work well in an environment where there is a good policy planning. The study carried out by Kalpana Sahoo and Naryan Sethi reveals the fact that there is a positive implication of the aid, but it is not translated into a meaningful one as a result of inequality, miss-utilization of the aid, poverty, corruption and poor economic policies. Taking a mixed stand Helen V. Milner, in her article, “Globalisation, Development, and International Institutions: Normative and Positive Perspective”, is very critical in the whole understanding and the working of the international economic institutions especially the IMF, WB, and the WTO. Milner poses a very critical question on how the world in general and the developing countries in particular would be had there been no

institutions of those shorts. The author as such taking into consideration the literatures by various other scholars have enumerated both the pros and cons of having these institutions and deciphers the impact of these institutions on the developing countries.

The reports and publications of ADB i.e. ADB strategy 2020 (2008), the public communication policy of ADB (2005), ADB: facilitating infrastructural development in India (2011), ADB: northeast region, midterm review mission (2012) focuses on the positive implications of the policies and programmes carried under the supervision of the ADB. It as such provides ample examples of its successful implementations of its policies in different states of India like that of Kerala, Gujarat, Chhattisgarh, etc

Apart from these, articles like Hilmar Hilmarsson (2010) and a relate study “small state: meeting challenges in the global economy”(2000), *A Big Question on Small States* (2013), *Caribbean Small States: Challenges of High Debt and Low Growth*(2013), highlights the conditions necessary for the states that makes them dependent on these institutions, owing to their inherent weakness and incapability’s. The articles takes the stand that although small state have its own sets of problem it can nevertheless overcome it by implementing sound economic policies by successfully diversifying its export products and markets.

Although the above mentioned works has been helpful in giving a sound knowledge and understanding about the various implication the IFIs can have, detailed literature on Sikkim and the role of IFIs is very much missing. Apart from few news clippings and notices from various departments, no other major work could be found to be reviewed.

Methodology

The study has employed both the qualitative and quantitative method to address the research question and the objective of the study. Governance as a theoretical background is used to analyse the difference in the pattern of governance i.e. whether there is difference in the initial and the new form of governance and if there is any, what are the areas in which it is more tangible.

In terms of analysing the nature and the structure of IFIs, a quantitative field based method is applied through the collection and interpretation of data to understand its impact and the pattern of governance in the process. The study has further conducted a field survey with semi-structured question, and in-depth interview. Using the

literatures from the secondary sources the study has also incorporated the experiences of different states in the northeast region in working with IFIs and hence tried to understand the prospect of it in the state of Sikkim. Thus, the study has adopted a field-based method supplemented with the data's from both the primary and the secondary sources.

The location of the area for the field study is based in the state of Sikkim, where the projects of the ADB were being implemented. Thus, the study covered three district of the state, that is, South, West and East district. In the South district, the areas for the field study covered a road section from Melli-Nayabazar and from Nayabazar-Namchi for the ADB funded project for Road and Infrastructure Development. For tourism sector, improvement of road and village tourism in Damthang as a part of the development of infrastructure and facility development of Indian Himalayan Centre for Adventure and Ecotourism (IHCAE) is covered.

Similarly, in the West District the location for the field study covered the road section from- Pelling zero point-helipad, Yuksom Bazar-helipad and road access to Pemayangtse Monastery, and Utteray for Village tourism, for the ADB funded project of South Asia Tourism Infrastructure Development Project.

Likewise, in the East district the study was conducted in the area of Burtuk and Chandmari for water supply, for the ADB funded project of urban development, as a part of North East Region Capital Cities Development Investment Programme (NERCCDIP), tranche-1. The field study also covered the village of Rey-Mindu for village tourism, and road section from Ranka- Sajong as a part of Rumtek circuit and destination development.

The study is conducted in the areas where the project of the ADB were being implemented. Thus, the target group for the study undertaken were the local people who have been residing in the project-implemented areas for almost 15-20 years now, so that they would be able to give an insight on how things were and how it is now. Apart from East district and the village tourism for both South and West, the areas covered mostly fell in forest tracts with little inhabitants. Since the area covered was large and segregated not all the household in the project implemented areas could be taken into consideration. Therefore, only 10-15 local people from each location for the road section, 30-35 people for village tourism of three districts and 40-45 people

from the East section of Burtuk and Chandmari for urban development were taken for the study. Apart from the locals, the workers and the project leaders/in-charge/managers in the project-implemented areas were also interviewed to understand the effectiveness of the institutions in the local governance.

RESEARCH QUESTIONS

- (1) What impact does IFIs sponsored development agendas have on issues of local governance in the state of Sikkim?
- (2) Do IFIs like ADB undermines the role of the states and community in areas of local governance?
- (3) Is the Bank's idea of governance excessively complicated and incompatible to the existing pattern of the local governance?

CHAPTERIZATION

- 1) Introduction
- 2) International Finance Institutions and Governance: Theories and approaches
- 3) Decision making and local governance in North East India
- 4) ADBs development agenda in Sikkim and its impact on local Governance
- 5) Conclusion

CHAPTER - II

INTERNATIONAL FINANCIAL INSTITUTIONS AND GOVERNANCE: THEORIES AND APPROACHES

CHAPTER 2

INTERNATIONAL FINANCIAL INSTITUTIONS AND GOVERNANCE: THEORIES AND APPROACHES

This chapter will first discuss the concept of international financial institutions (IFIs) and governance in brief. Then it will look upon various types of governance and theories involved. Since the idea of governance permeates in many of the discipline, the focus of this chapter will be mostly on the ideas and the theories, which is predominant in the discipline of the international relations. Next, the discussion on the governance by the IFIs and its impacts will be explored, with a brief summary of its operations in the developing world.

International Financial Institutions (IFIs)

International financial institutions are institutions that have been established or chartered by more than one country, and hence are subjects to international law. The most prominent IFIs are the creations of multiple nations, however, some bilateral financial institutions created by two countries also exist and are technically considered IFIs.¹ In a simple understanding, IFIs are the body that provides financial support mostly via the grants and the loans for the economic and social development activities in the developing countries. This includes 'public banks' such as the World Bank (WB) and International Monetary Bank (IMF) created by a group of countries that provides financing and professional advising for the purpose of development, and the 'Regional Development Banks' like the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), African Development Banks (ADB), Inter-America Development Bank etc. These institutions finance projects in the form of long-term loans or credits, below market rates and through grants. The frequently used other names of these institutions are Multilateral Banks, Multilateral Developmental Banks, and Multilateral Economic institutions.

Although ample of IFIs can be witnessed in the international system there are few which have had a huge impact in its operations. Thus, the most important and familiar IFIs and the ones that will be discussed in this chapter apart from the Asian Development Bank are the World Bank and the International Monetary Fund. Both of these institutions were created by the victors in World War II and were intended to

¹ For example: Netherlands Development Finance Company (one of the largest bilateral development bank worldwide), The German Investment Corporation, French Development Agency etc.

help the countries avoid another global depression and to create a cooperative and stable world economy in non-globalised world (Milner, 2005). However, the role of these two institutions have changed over time, in addition to it there membership has also become nearly universal.

The World Bank as a multinational financial institution was established at the end of the Second World War to help provide long-term capital for the reconstruction and development of member countries. It as such is the world's largest source of development assistance, providing nearly \$30 billion in loans annually to its client countries (WB, 2001). It also gives interest free grants (aid) and loans to the developing countries.

Poverty reduction in contemporary time has become one of the bank's important mandates, which is said to be achieved by focusing on social development, inclusion, governance and institutional building. Apart from this, creating an environment, which is conducive for private business development, strengthening the ability of the governments to deliver quality services efficiently and transparently, promoting reforms to create a stable macroeconomic environment are given priorities in order to achieve desired growth and development (Nayar, 2002).

Similar to WB, the IMF was also fashioned by the victors to support the fixed exchange rate system created at the Bretton Woods conference in 1944 with the role of aiding the countries that were having trouble in maintaining their fixed exchange rates by providing short-term loans. It was declared 'the lender of the last resort' and provider of funds in crisis, enabling countries to avoid devaluations (Milner, 2005). Enabling a stable international monetary system to promote trade and growth was its central mission. However, with the collapse of the Bretton Wood fixed exchange rate system in the early 1970s, this role changed. The IMF started dealing less with the developed countries and more with the developing ones providing long and short-term loans at below market interest rate for countries in all sorts of economic difficulty, making it less distinct from the WB. Promoting economic growth as well as resolving specific crisis became its mission bringing more and more countries to undergo the structural adjustment programme. Indeed, as Vreeland notes, in 2000 alone the IMF had programmes with sixty countries, or more than one third of the developing world (Vreeland, 2003). These changes have made it more similar to the WB.

ADB as a multilateral development finance institution came into existence in the year 1966 covering Asia and the pacific. It then comprised of 63 members, from both

within and outside the region with USA being its largest shareholder followed by Japan, China and India. Today it comprises of 67 members with Japan and USA still leading the board with 16.5 percent, followed by peoples Republic of China with 6.4 percent, India with 6.3 percent, and Australia with 5.8 percent as of December 2012 (Choudhary, 2000).

The ADB in its working, like the above-mentioned institutions also provides development assistance to the member countries in different forms to both governments and the private enterprises. Assistance from it includes loans to public and private sectors for project, which promotes socio-economic development, technical assistance for preparing projects, giving advice on operation and supporting regional activities. It also manages and administers funds for grants from bilateral donors, offers guarantees for and equity investments in private sector projects and holds policy dialogue with the government of the respective countries. ADB as such extends its assistance in varied sectors of development such as governance, finance, energy, industry, transport and communications and social sectors like education and health, and works in close collaborations with other institutions like WB, UNDP, and other regional banks.

Since its inception, these institutions have been playing important yet debatable roles in assisting needy countries by providing grants and loans, giving professional advices and technical assistance. Their reach and operations has become almost universal and has emerged to be one of the most important and dominant actors in the contemporary times. Their emergence as such have led to the initiation of number of debates regarding the 'retreat of the state', thus entirely questioning the prominence of the state, which has always been central to the study of the international relations. Apart from this, these institutions today have moved beyond narrow economic benchmarks and have begin to consider a broad array of social factors in their programmes and decisions like the environmental concerns, human rights issue, governance, legal and judicial reforms and public participations which have made its presence and reach all the more prominent (Blank, 2002).

Governance

Governance although very fashionable now, is a concept that is as old as human history. The traditional use of the term 'governance' and its dictionary entry define it

as synonym for government. However, in the growing work on governance there is redirection in its use and import. Today governance signifies 'a change in the meaning of government, referring to a new process of governing, or a change in condition of ordered rule, or the new method by which the society is governed' (Rhodes, 1996).

Review of literatures (Kooiman and Vliet, 1998; Weiss, 2000; Rosenau, 1992; Stoker, 1999) generally concludes that the term governance has a variety of meanings. There is however, a general agreement that governance refers to the development of governing style in which boundaries between and within public and private sectors have become blurred. It also points to the creation of a structure or an order, which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors' (Kooiman and Van Vliet, 1993). Thus, the whole idea of governance occurs in three broad ways, i.e. through network involving public-private partnership, through the use of market mechanism whereby market principle of 'competition' serve to allocate resources while operating under government regulation and through top-down methods that primarily involve governments and the state bureaucracy (Kooiman, 2003).

The academic literature on governance is diverse and relatively disorganised and has its theoretical roots in a number of disciplines like, Institutional Economics (Aoki, 2000; Schmitter, 1994; O'Brien, 2000), International Relations (Weiss, 2000; Halliday, 2000; Dingwerth and Pattberg, 2006; Rosenau and Czempiel, 1992), Developmental Studies (Sundaram and Chowdhart, 2012), Public Administrations (Richard C. Box, 2013, Pinkowski, 2006), and Political Science (Waltz, 1999; Castelles, 2005). However, the focus of this chapter will be as mentioned above, only on the governance related aspects of international relations.

Global Governance

In the discipline of international relations, the literature on governance according to Weiss, is said to have emerged after the collapse of communism and the bipolar world order and can be traced with a growing dissatisfaction among students of international relations with the realist and liberal-institutionalist theories that dominated the study of international organisation in the 1970s and 1980s. These theories according to Thomas Weiss failed to capture adequately the vast increase, in both numbers and

influence, of non-state actors and the implications of technology in an age of globalisation (Weiss, 2000). Although international relations literature on governance deals with the concept of governance per say, it however is more pronounced with its contemporary extension i.e. 'global governance' wherein the actors, individuals, institutions (public and private) attempt to accommodate conflicting interests through processes of collective action, decision making in range of areas operating beyond state borders. It encompasses the activities of government but also includes other channels of communication especially the prominent and emerging non-state actors in global and regional market places like the MNCs, banks, financial institutions, commercial associations and civil society networks. These institutions therefore, have generated trans-national mechanisms of governance and networks across the range of functional policy domains (Higgott, et al, 2000; Scholte, 2005).

As a result, the theory of global governance in contemporary time has emerged as a new an important field of inquiry that has grown out of a growing awareness of the impact of globalization and dissatisfaction with 'traditional models' of public policies that failed to capture the shift in the relationship between public and private sectors in general and state authority and market power in particular (Stoker, 1999).

While the very idea of international relation as a discipline is conceptually based on an "often unquestioned preference for the nation state as the basic unit of analysis" (Dingwerth, 2006) the study of global governance acknowledges that plethora of forms of social organisation and political decision-making exists that are neither directed towards the state nor emanate from it (Dingwerth, 2006). Thus, the concept of global governance departs from traditional views according to the Klaus Dingwerth, from within the discipline in four important ways. While the concept of international relations is by definition primarily interested in "*Politics Among Nation*" (Morgenthau, 1918) and pays little attention to the non-state actors, the term global governance does not establish such a hierarchy and attaches equal importance to NGOs, TNCs, and scientific actors implying a multi- actor perspective on world politics.

Second, while international relations as a discipline suggests that international interaction can be analysed separately from interaction at other levels of social interaction, the term global governance conceives of world politics as a multi level

system in which local, national, regional and global political process are inseparably linked (Dingwerth, 2006).

Third, while international relations is traditionally linked to power relations, interest-based interstate bargaining, as the driving forces of the politics beyond the state. The notion of global governance starts from the assumptions that a wide variety of forms of governance exists next to each other and that a hierarchy among these various mechanisms is hard, if not impossible to discern (Dingwerth, 2006).

Lastly, while the field of international relations tends to focus on the phenomena of authority and its legitimisation primarily in close connection with the state's ability to pursue its rational self-interest. Global governance perspective allows capturing the emergence of new spheres of authority in the world politics independently of sovereign nation-states (Sinclair, Hewson and Rosenau, 1999).

In this sense 'governance' as a concept has become a hosting metaphor identifying non-traditional actors (NGOs, civil society, social movements etc) that participate as mobilising agents broadening and deepening policy understanding beyond the traditional, exclusivist, international activities of states and their agents (Slaughter, 2004). Apart from these since the idea of governance is very broad it requires its treatment not just from the broader global level but also from the regional and local level. Thus, the section, which follows, will focus on the governance and its working in the regional and local level.

Regional Governance

The traditional state centric power politics approach to the management of the world order under conditions of globalisation appears to have become less salient. More diffuse networked understandings of power, with loosely institutionalised regulatory actions providing a modus-operandi for cooperation is becoming increasingly attractive and in practice. The realisation that earlier political coordination procedures are no longer able to solve regional problem situations adequately due to altered general conditions like the globalisation, the rise of the neo-liberal paradigm, the state's financial crisis and the increasing meticulous organisation (Bocher, 2005) have made evident the importance of alternative approach to fill the vacuum. It is here that

regionalism and multi-level governance, offers the bones of an alternative model (Higgot, 2005).

The concept of regionalism in general refers to regional integration, as well as the more inclusive process of regionalisation including both sub-national regions (provinces within states) and supra-national regions (world regions or macro regions) which can have structural consequences beyond the particular region in which it takes place (Higgot, 2005). Thus, the term “Regional Governance” signifies a set of different characteristics, which, together, constitute a new form of regional policy, which seems to be able to support sustainable regional development (Higgot, 2005).

This model of regional governance is proving to be increasingly in practice in contemporary times. However, its practice seems to be more prevalent in Europe as European Union is considered the most institutionalised regional policy community exhibiting a complex system of governance beyond the territorial state (Gavin, 2001). The regions general support for globalisation, interdependence and cooperation are the factors, which exhibits a stronger normative attitude towards multilateral governance structures. According to Cooper, Europe in theory if not always in practice, exhibits a stronger normative, ‘post-modern’ attitude towards multilateral governance structures developing constitutional and regulatory frameworks that increasingly transcend the nation state (Cooper, 2003).

As mentioned above, this is not just the phenomenon in Europe; an observation can be made of structures of emerging regional multilateral governance in Asia and other parts of the world too. In case of Asia these new trends of regionalism or regional governance has progressed apace since the financial crises of 1990s. This as such was the time when ADB as a regional bank started to play more enhanced role in terms of financing and aiding the countries of Asia and Pacific. For ADB promoting a regional cooperation and integration in the region with investments in cross-border projects to accelerate economic growth and partnership became an important mandate, which is evident from its financing in number of sectors like, tourism, trade and development and infrastructural development (ADB, 2011). South Asia as a region according to the bank has a vast potential to accelerate economic growth, increase productivity and employment which if executed properly can reduce economic disparities that has been persistent in the region (ADB, 2011).

This element of the new regionalism can be further witnessed in the enhanced regional economic dialogue and interaction both amongst the states of Northeast Asia (China, Japan and South Korea) and between these states and the states of Southeast Asia through the development of the ASEAN. Thus, it is evident that the moves toward regionally integrated problem solving are growing rather than diminishing and can be pronounced by the growing linkages between different regional integration schemes, such as the FTA between the EU and Mercosur, or the development of the ASEAN Free Trade Area, (Sampson and Woolcock, 2003).

In order to create a grouping based on the nature and the demand of the regions, societies in Asia, Africa, and Latin America are attempting to make their own choices to regionalisation processes that best reflect their own needs and the political commitment of the actors involved. This as such reflects the desire for collective action by societies, through forms of regional cooperation to counter the adverse effects of globalisation on the one hand, and to maximise the benefits to be gained from the processes of globalisation on the other.

EU as mentioned above has successfully developed a very sophisticated model of governance in terms of regulating the countries international trade, investment and other common policies. Other regions are also developing different regulatory and governance frameworks. Therefore, it is evident that in Europe, Africa, Asia, and the America the regional governance systems are all aiming towards a shared pursuit of governance systems that can be considered not only effective but also democratic, legitimate and inclusive (Cerruti and Rudolph, 2001).

Local Governance

Local governance as concept can be defined as the formulation and execution of collective action at the local level. it encompasses the direct and indirect roles of formal institutions of local government and government hierarchies, as well as the roles of informal norms, networks, community organizations, and neighbourhood associations in pursuing collective action by defining the framework for citizen to citizen and citizen to state interactions, collective decision making, and delivery of local public services (Shah, 2006). However, it is not just about providing a range of local services but also about preserving the life and liberty of residents, creating space for democratic participation and civic dialogue, supporting market-led and

environmentally sustainable local development, and facilitating outcomes that enrich the quality of life of residents (Shah, 2006).

Local governance as such ensures that the citizens and their elected agents/officials are located in proximity to each other, which not only result to the flow of information from the citizen to the elected officials and vice-versa but also ensures accountability so that local government is better able and willing to respond to citizens' preferences. This will not only improve efficiency but also create competition amongst different units of state so that local government are motivated to perform better by better responding to people's and its constituents demands.

Apart from these, it is assumed that the constructive partnership and commitment of local governance administrators in engaging civil societies and communities in their working can lead to a better governance performance. Increasingly today, more and more countries are beginning to realise the importance of strengthening local governance to achieve development goal. If properly designed and executed, it can promote efficiency and equity in service delivery, inclusiveness in local level through representation and participation, and accountability.

Although the concept of local governance is as old as the history of humanity, only recently has it entered the broad discourse in the academics and literatures. Globalization and information revolution is said to have played a very pertinent role in forcing and re-examining the relation between the citizen and state and other relationships of various orders of government with entities beyond government. This changing of order has thereby enhanced the focus on 'local governance'.

External players apart from the internal ones in recent times has also started playing an important role in facilitating the idea of local governance. In the international level, the World Bank and UNDP have been playing a significant role in enhancing this idea. World Bank in recent times is tying up more with the state government in implementing its projects, with special emphasis on the promotion of local governance; this new mandate has today become an entry point for these institutions to intervene directly in any given state or region. It is for this reason we can see direct and leading role played by these institutions in almost all the sectors wherein the projects are being implemented.

In the same vein, the UNDP has also directed its focus on strengthening the inclusiveness and accountability of sub-national governments, ensuring that they have the capacity to manage the opportunities and responsibilities created by

decentralization and devolution (UNDP, 2013). Acknowledging the diversity inherent in the sub-national level of different countries, it focuses on the basic services for the citizens to be provided by the local government with the aim of improving their ability and capacity to become better administrators, raise revenue and deliver high-quality services to accelerate progress towards the MDGs. It further calls for the government to promote/provide peaceful environment and create a space for reconciliation at the local level by building consensus through dialogue, which is important to create a stable environment and to integrate conflict prevention into the programmes and services (UNDP, 2013).

Thus, it is evident that like 'regional governance' the idea of local governance has also gained a lot of currency in the contemporary time and like regional governance it is also a phenomenon that can be witnessed to be mushrooming in different parts of the world. From the above arguments, it is very much comprehensible that there is a growing tendency to devolve competencies from state-level to more local levels. As a result, political authority and powers are becoming increasingly dispersed while economic activities are getting more and more globalised. In addition to it, non-state actors are also becoming increasingly involved in the whole process of governance so much so that it is impossible to ignore the strong tendency towards networking arrangements at all levels of governance shaping, proposing, implementing and monitoring policy together. This emerging multi-level governance thus calls for new ideas and practices to organise governance at local, national, regional and global level (Higgott, 2005).

THEORIES ON GOVERNANCE

International relation as a discipline emerged after the First World War and mostly dealt with the theories of war and peace. However, taking into its consideration the demand of time it started addressing very many issues making the discipline all the more encompassive and contemporary. Today scholars use international theories to describe, explain, and predict various aspects that permeate the domain of the world politics. Global governance being the most recent and developing phenomenon could not escape its grasp therefore, explicitly or implicitly, IR theory are also theories of global governance, addressing the questions of "who governs," how governance occurs and with what effects, at different points of time (Karns and Mingst, 2009).

They are also theories of how global change occurs and hence, how pattern of global governance have changed in past, may be changing in present, and might change in future (Karns and Mingst, 2009). Thus, there are four important theories and its variants, which address the issues of governance, although not implicitly but it gives the space for the issue of governance to be pursued seriously. These are Liberalism, Realism, Constructivism, and Marxism.

Neo Liberalism

Neo Liberalism in its entirety appears to be the most appropriate approach to understand the concept of global governance. They hold that human nature is good, and injustice, aggression, and war according to them are the product of inadequate or corrupt social institutions and of misunderstanding among the leaders. They are of the view that this chaotic situation is not only inevitable but can be eliminated through collective or multilateral action and institutional reforms (Karns and Mingst, 2009).

The expansion of human freedom is a core liberal belief, which according to them can be achieved through democracy and market capitalism. For liberal's individual human being are the primary international actors. States are the most important collective actors, but they are pluralistic not unitary actors. Liberals believe that IGOs, such as the UN, play a vital role in world politics and places importance on the non-state actors and transnational and trans-governmental groups as well. Liberalism as such adequately explains the interaction of the state, civil society, MNCs, IGOs in the process of global governance. Thus, to Joseph. M Grieco, "Even if anarchy constrains the willingness of state to cooperate, state nevertheless can work together and can do so especially with the assistance of international institutions" (Grieco, 1988)

Rooted in the larger liberal paradigm its variant 'functionalism' has emerged to be an important theory in understanding the idea and importance of governance. Functionalist are of the belief that governance arises out of the basic or functional need of people and states. This aptly explains an increasing numbers of actors corresponding to the need and demand of the humans. They hold that the task is "not how to keep the nations peacefully apart but how to bring them actively together" (Mitrany, 1946). They further emphasise on the spreading web of international activities and agencies, in which and through which the interest and the life of all nations would be gradually integrated" (Mitrany, 1946). Functionalism as a theory is applicable both at the regional and global level and has been important in explaining

the evolution of the European Union as a process of economic integration. It is also equally important in understanding the development of early IGOs such as International Telegraph Union, Universal Postal Union etc (Karns and Mingst, 2009) that gives enough insights in the whole idea of the evolution of global governance.

Neo Realism

Realism in all its forms is based on the assumptions that individual are generally power seeking and act in a rational way to protect their own interest. They posit that the most important international actors are sovereign states, which are rational and operate in an inherently competitive, anarchic and self-help environment (Makinda, 2013). To most realists, in the absence of international authority, very few rules or norms actually restrain the state. Although it do recognises the emergence of plethora of regimes and institutions, it believes that there importance has been highly exaggerated. It therefore does not acknowledge the importance or vigour of non-state actors such as NGOs and MNCs in international politics and governance, nor do they accept the ideas of IGOs as an independent actor. To most realist deterrence and balance of power have proven more effective in maintaining peace than international institutions (Makinda, 2013).

For Hans J. Morgenthau, international organisations are a mere tool of a state to be used when desired, that is, they can increase or decrease the power of the state, but they do not affect the basic characteristics of international system. Thus according to him these institutions do not have independent effect on the state behaviour and will not change the system overtime. John Mearsheimer, further substantiates his argument by pointing out that, “the most powerful state in the system creates and shapes the institution so that they can maintain their share of world power, or even increase it” (Mearsheimer, 1995) this only implies the power and the domination of the state. Thus for the realists state remains to be the central feature of the world politics. However, realism as a theory has an important implication for theorizing about the global governance since most of its definitions involves question of government, authority, and governance in some ways or the other. (Milner, 2005)

Deriving from the realist paradigm, ‘rational choice theory’ is an important variant that addresses the issue of international cooperation more directly as a rational choice of an actor. The idea that this theory disseminate is that although the state prefer their

stand as a sovereign actor, they would nevertheless take part in the international arrangements with the fear of being left behind by the others. According to Lloyd Gruber, 'not participating in such an agreement is also not an option for the state as they may be even forced to conform to the rules of the games' (Snidal, 2001). Key to this theory is the idea that international institutions exist largely because they facilitate self-interested cooperation by reducing uncertainty, thus stabilising expectations (Snidal, 2001). Rational choice theorists further emphasise on how states use international institutions to further their national goal and how they design institutions to reflect their goals. Thus, they see institutional design as "rationally negotiated response to the problem international actors face" (Snidal, 2001).

Constructivism

Constructivism although new to the discipline has become an important approach for studying key pieces of global governance, particularly the role of norms. They hold the view that the behaviour of individuals, state, and other actors are shaped by shared belief, socially constructed rules, and cultural practices. While the realist treats the state interest and identity as given, they believe that it is socially constructed and very much influenced by culture, norms, ideas, and domestic and international interactions (Karns and Mingst, 2009). Constructivism as such places a great deal of importance on institutions as embodied of norms, practice and form of organisation. They believe that the ideas or for that matter the concept will make sense to the people only when a meaning is attached to them. Since this approach focuses on the role of the norms, ideas, and cultures in constructing international structure it gives enough insights on the process of global governance as something, which is created and disseminated by the humans and its activities based on intersubjective understanding in a daily life practices. In examining international organisations, constructivism seeks to uncover the social content of the organisation, the dominant norm that govern the behaviour and shape interest, and to decipher how this interest in-turn influences the actors. Therefore, to constructivism, international organisation and institutions have the potential to be purposive actors with independent effects on international relations (Karns and Mingst, 2009).

Marxism

Although discredited after the demise of the Soviet Union and the triumph of capitalism, Marxist critical theories is still considered to be an important perspective for describing hierarchy in the international system and the role of economy in determining that hierarchy. The theory contributes an important perspective to understanding international relations and global governance through the framework they provide for linking, economics, social forces, and structures of order.

Marxist views on the structures of the global system and on global governance are rooted in the relationship of class, the capitalist mode of production, and power (Karns and Mingst, 2009). The hierarchical structure that exists according to them are the by-product of the spread of global capitalism that privileges some states, organisations and groups and impose significant constraints on others. Marxist theories emphasizes on the technique of domination and suppression that arises from the uneven economic development inherent in the capitalist system of which the idea of domination by the 'hegemon' is one but an important example. Global governance for the Marxist theorist is "a predictable institutional response not to the interest of a fully formed class, but to the overall logic of industrial capitalism" (Murphy, 2000). These group as such take all these organisation and institutions to be nothing but an instrument of capitalist domination imposed on others.

Further highlighting the domination and dependency is the 'Dependency theory' rooted in the Marxist traditions, which seeks to answer the reason for the growing disparities between the north and the south. The dependency theorist like Raul Prebich, A.G Frank to name a few, takes international institutions to be nothing but a help to the capitalist class to establish and maintain dependency relations. These institutions apart from maintaining dependency are also viewed as an agent of penetrations who forge a transnational relationship with elites in the developing countries linking domestic elites in both exploiter and the exploited countries in a symbolic relationship (Karns and Mingst, 2009). This as such has important implications in the whole understanding of the process of global governance especially when viewed from the south.

Thus, it is evident that governance as a term comprises of a complex set of understanding that differs accordingly based on the theoretical approach that it is perceived from and involves states and non-state actors that affects life from the global to the local levels.

INTERNATIONAL FINANCIAL INSTITUTIONS AND GOVERNANCE

Though the term 'governance' has been in usage for quite some time, as evident from the preceding section, the importance of it in case of the financial institution became relevant when the World Bank (WB) in 1989, raised the issue of improving development performance. In its document on sub-Saharan Africa, it affirmed that due to a 'crisis of governance' the Banks programmes of adjustment and investment were not proving effective (World Bank, 1992). Therefore, came up a push for good governance as a 'sound development management', which was defined by the Bank as 'the manner in which power is exercised in the management of the country's economic and social resources and development', according to the bank:

“Dysfunctional and ineffective public institutions...and weak governance are increasingly seen to be at the heart of the economic development challenge... it became evident in the 1990s that policy reforms are less likely to succeed when public institutions and governance are weak... While 'first generation' economic reforms have proceeded rapidly in many settings over the past 15 years, institutional reforms has moved far more slowly, and weak institutions have become the main constraint to more robust and sustained growth”(WB, 2000)

Since then, the idea of governance parallel to the institutions has become an integral part of their globalising agenda set largely by dominant capitalist countries in the world. Although the governance aspects ensured by these institutions has remained a topic of both controversy and consensus, what remains to be considered is the prominence of these institutions in the contemporary time, especially in the economic and developmental spheres.

The advocacy of the IFIs as stated earlier is mostly in the third world. The reforms undertaken there are generally expressed as 'good governance' reforms introduced mainly under the aegis of the WB and IMF. The expressions commonly used these days by these multilateral and the bilateral developmental banks includes 'good governance', 'governance for human development, 'democratic governance for

human development' etc which reflects their different programmatic emphasis (Choudhary, 2007). However, their main concern remains common, i.e. 'governance'.

IMF has also started to pay increasing attention to the issue of the governance, with its views calling for a transparent and accountable system of government. These institutions have also been encouraged by the G7 leaders to play an active role in governance reforms in the borrowing countries through lending investment and technical assistance activities (Choudhary, 2007). Governance therefore has emerged as a crucial part of the agenda of the IFI's. The understanding is that good governance leads to better development outcomes as shown in some studies commissioned by the world bank and UNDP. Therefore, for better or worse, the wide array of issues subsumed under "governance" has occupied a centre-stage in the IFIs agendas, for these institutions the new mandate is very much a boost to their importance (Kapur and Richards, 2000).

Governance therefore is a process involving multiple actors in the international arena that produces new norms and rules for working together to solve global problems or conflicts (Rosenau, Redfern and Desai, 2002). However, in case of international financial institutions or for that matter any institutions, while there tends to be agreement about the governance as an activity aimed at steering societies in desired direction, these agencies have typically adopted the concept to suit their own programmatic needs, that is, their entry point differs. The United Nations Development programme, for example has adopted a definition that sees governance as "the exercise of economic, political, and administrative authority to manage a country's affairs at all levels" (UNDP, 1997). In this perspective, governance comprises the mechanism, process, and institutions, through which the citizens and groups articulate their interest, exercise their legal rights, meet their obligations, and mediate their conflicts (Hayden and Court, 2002).

One of the distinguishing features of the current debate on global governance, as mentioned in preceding section is the emphasis put on the role of non-governmental organisations. Further, it is also observed that the international institutions and aid agencies emphasise on promoting decentralisation and local self-governance by involving local bodies and NGOs in the developmental project with the view to reduce poverty and expedite economic growth. In this context, in many cases the

development tasks are being assigned to these bodies without proper evaluating their performance and capacity to deliver the desired outcomes. Apart from this, the accountability of NGOs is today being judged, as they intend to be answerable to the aid agencies/ donor rather than the people. Unequal power structure exists at the local level and in such situations, it would be erroneous to presume that these institutions functions in an impartial manner (Choudhary, 2000). Further, many case have come to lime light wherein the state have come to influence or even control NGOs, these are termed as “GONGO” (government controlled NGOs). However, they use the appearance of independence to promote the goal of their states (Halliday, 2000).

Therefore, it is perceptible that the agenda of governance propounded by these multilateral and the bilateral financial agencies is very broad and encompassive. This has led these institutions to play pro-active yet contentious role in the contemporary times, given the importance of promotion of governance, which has become an integral part of the emergent global economic order.

INTERNATIONAL FINANCIAL INSTITUTIONS AND ITS IMPACT IN DEVELOPING WORLD

There is a general consensus among scholars, that we ‘reside in the era were the old fashioned autonomy of the nation state is being eroded by the multinational corporations everywhere, both in the first world and in the third world, but at different speeds’(Bhaduri and Nayar, 2002). It is in this context, the International Financial institutions and private corporate has emerged to be one of the most important actors in the contemporary time with a far-reaching impact and consequences in the countries that it operates.

Owing to the general dissatisfaction among the people with the state led model in providing basic services to its citizen and economic growth more and more countries were forced to choose an alternative development path as directed by these IFIs and private corporate. Even in the industrialised countries the growth in both the number of international institutions and the scope of their activities led to an ‘ unbundling of sovereignty’, resulting in the plethora of functions parcelled out to various international or regional institutions (Glenn, John, 2008). However, in industrialised countries these institutions have at least been relatively successful at the management

of power, the promotion of common interest, and the mediation of difference (Glenn, John, 2008). This however, cannot be said in relation to the developing countries, wherein the democratic deficit of this institution vis-a-vis the developing world has resulted in a critical lack of legitimacy (Glenn, John, 2008). Thus, it is being increasingly evident that international institutions like the IMF and the WB, and WTO have been largely beneficial for developed but not so beneficial for the developing countries.

Neo liberal reforms as mentioned earlier were introduced in the third world countries mainly under the aegis of the World Bank and the IMF and moved in the shape Structural Adjustment Programme (SAP) of the fund and bank combined in the context of balance of payment crisis encountered by the third world countries. This as such became the entry point for these institutions to directly intervene in the internal matters thus largely persuading and in many cases forcing the recipient country to bring in changes that would be more conducive for these institution to operate. The standards set by these institutions brought in a lot of changes in the working of the state whose role was more or less confined to the back seat. This continued for quite some time. However, when it was not able to bring in any changes in terms of the growth and development of the state and the region where it operated, and when in general its role and impact started to be questioned, it started to blame the government or the state for the failure, blaming the government that it is because of the lack of proper 'governance' the funds and the development strategies could not be properly channelized. Therefore came up a push for governance.

When it comes to 'governance', disseminated largely by these IFIs, it is important to understand that the application of the term is different in case of the first and the third world. In case of the third world, the concept of governance and later 'good governance' has a wider meaning, which amounts to replacing the concept of government itself. The package of good governance as is evident now represents nothing but the neo liberal agenda of globalization laying explicit emphasise on the dominance of individual over collective concerns and market led model of development wherein the private players and the corporate are given upper hand. The state government which initial use to be the regulator according to this model were required to reduce its scope and nature and provide more space to the market that operates on the basis of economic efficiency.

Lately, the debate over these institutions has arisen from the seemingly lack of progress in the developing world. Although there has been a significant increase in the working and lending of these institutions in the developing world the concern remains as to whether market liberalisation, privatisation, deregulation, and other elements of the 'Washington consensus' that these institutions advocate have promoted development in the poor countries. As Easterly concludes, "there was much lending, little adjustment, and little growth in the 1980s and 1990s" in the developing world (Easterly, 2001). Apart from these what is important to note is that, the annually per capita growth for the developing countries averaged zero percent for the year from 1980-1998, whereas from 1960-1979 there growth had averaged about 2.5 percent annually (Easterly, 2001) which only indicates the 'progressive decline' of these countries despite increasing funds and assistance from these institutions. Poverty remains very high with a sizeable number of these countries worse off more economically in 2000 than in 1980s (Easterly, 2001). There is further indication from the World Bank report that, per capita income was lower in 1999 in at least nine countries than in 1960s.² Further, from 1980 to 2002, twenty countries experienced a decrease in their human development index, which includes more than just economic growth (UNDP, 2004). Since the 1980s, the world's poorest countries have done worst economically than the richest, falling further behind the rich countries, increasing the gap between the two.

For many scholars, especially the realist, these institutions were created by and for the interest of the large, rich countries. Thus, serving the interest of the advanced countries meant either the interest of the poor countries were at best neglected or at worst damaged (Milner, 2005). According to a section taken from the ILO's report:

There are serious problems with the current structure and processes of global governance. Foremost among these is the vast inequality in the power and capacity of different nation states. At the root of this is the inequality in the economic power of different nations. The industrialized countries have far higher per capita incomes, which translates into economic clout in negotiations to shape

² Haiti, Nicaragua, Central African Republic, Chad, Ghana, Madagascar, Niger, Rwanda, and Zambia, (source, WB).

global governance. They are the source of much-needed markets, foreign investments, financial capital, and technology. The ownership and control of these vital assets gives them immense economic power. This creates a built-in tendency for the process of global governance to be in the interests of powerful players, especially in rich nations (Milner,2005).

In this view, international institutions have not helped much since they are oriented to promote the interests of the developed countries rather than the developing ones. Further, the operation of these institutions has been questioned many times, the instance of which can be taken of the WB aid to sub-Saharan Africa. Despite extensive aid pumped to the region, hardly any difference in terms of development and growth could be witnessed. Also according to Jenkins (2006), states especially in Africa, are no better governed today than they were 30 years ago, and in many cases notably in sub-Sahara, despite ample of domestic resources and external aid, the political and the economic development was noticed to be going backward rather than forward. Much of the aid, whether provided as grants or loans, was manifestly being wasted; in some countries, aid money was itself said to be major contributor to corruption (Hanlon, 2002). Scholars therefore, have argued that this aid had been used to prop up authoritarian governments and to continue with failed policies longer than they otherwise could have (Milner, 2005).

It should further be understood that these institutions do not disburse aid/loans to one and all, in fact the studies on aid and donor reveals that the aid are not being allocated to the neediest countries, but in fact is dictated by the donor interests, on economic and foreign policy, on which countries receive what aid, and when (Milner, 2005).

CONCLUSION

Governance therefore has emerged to be one of the most important idea debated in the contemporary time with large scale impact in all the three level, that is, from global, regional to local level. Apart from just its reach, the theories as well as the actors addressing it has also increased considerably, making it all the more contemporary and prominent. It is in this scenario the importance of governance by the IFIs comes to forefront.

However, despite these policies and programmes of IFIs, which aim to bring positive changes in the concerned states or region, the operation of IFIs is mostly viewed from the negative prism with their functioning and governance more open to criticisms. IFIs as stated above, no doubt offer financial assistance to the countries for various developmental initiatives but it would be a mistake to believe their argument that they are only bankers providing financial assistance to governmental proposals in a cluster of sectors ranging from energy to tourism. Almost from the onset, these IFIs provides the legitimacy to a particular set of developmental priorities with a view to integrate the region into a pattern of economic development that largely benefit a narrow band of corporate, economic, and political interests.

Apart from this, though these institutions make a lot of investment in a region, one of the important reasons that these institutions are unsuccessful in their objective is that they take little account of the local conditions or the environment in which they try to introduce changes resulting much of these intervention and involvement to be haphazard and sometimes perverse.

CHAPTER - III

DECISION MAKING AND LOCAL GOVERNANCE IN NORTH EAST INDIA

CHAPTER 3

DECISION MAKING AND LOCAL GOVERNANCE IN NORTH EAST INDIA

INTRODUCTION

The northeast as a region comprises of eight states, namely, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura, and is inhabited by 297 communities, of which the Constitution of India recognises 158 communities as “scheduled tribes”. Hence, northeast is the homeland of a large number of tribes, which constitute around 12 per cent of the total tribal population of India and 25.81 per cent of the total population of North East India (Chhetri, 2012). The region as such is bounded in the north by Himalayan ranges, which also guard eastern boundaries of this region. The southern boundary is guarded by the Chittagong Hill tracts and in the west is situated the western mountains which have arose from Bangladesh (Gangte, 1993). This landlocked region covers 2.62 lakh square kilometre of uneven surface, supports a population of 39million (Census, 2001) which accounts for 7.7 per cent of total land surface and 3.72 per cent of the total population of the country (Akoijam, 2009). The region as such is known for its ethnic, linguistic, cultural, religious and geographical diversity.

Table 1: Area and Population of North East Region, 2011

State	Capital	Area (Sq.Km)	Percentage to Total	Population (in thousands)	Percentage Share of N.E states
Arunachal. P	Itanagar	83,743	31.9	1,091	2.79
Assam	Guwahati	78,438	29.9	26,638	68.24
Manipur	Imphal	22,327	8.5	2,388	6.12
Meghalaya	Shillong	22,429	8.6	2,306	5.91
Mizoram	Aizwal	21,081	8.0	891	2.28
Nagaland	kohima	16,579	6.3	1,989	5.00
Sikkim	Gangtok	7,096	2.7	540	1.38
Tripura	Agartala	10,486	4.0	3,191	8.17
Total NE-R		262,179		39,041	100.00
India		3,166,414		1,025,251	

Source: Census of India, 2011..

Given the general background, it is evident that the region is predominantly tribal and taking history as a reference point it is evident that the region as a whole stands quite distinct in the way it had been 'administered or governed' from the other part of the country owing to its isolation and difficult topographic conditions. When it comes to northeast, there is a general impression that its pre-colonial villages were isolated, self-governing little republic having nearly everything that they can want within themselves (Goswami, 2002). In fact long before the advent of the British, these indigenous people living in the hills had organised themselves under the society system of their own which had been the natural outcome of the emergence of their society (Singh, 2008). These indigenous people led by their chiefs, elders men's, and village headmen evolved their own distinctly different types of system of governance. While in certain communities these traditional institutions were well organised and well structured, in others these institutions were loosely organised without any central authority. The traditional institutions headed by the above-mentioned authorities were responsible for almost everything that happened in the village level, this would be extensively discussed in the following section.

However, with the advent of the British Empire, the things and the way it worked started changing. The chiefs that initially were accountable to the people diverged its commitments from that of people to the colonial masters. Although the traditional institutions headed by the chiefs were allowed to function as they did before many changes in the way it operated was evident. However, owing to the regions highly irregular terrain, which was difficult to traverse and therefore regulate, the British administrations treated the hill areas first as "non regulated areas", then declared them as "backward tracts", and lastly, "excluded areas and partially excluded areas" (Goswami, 2002). Thus, historically, successive legal and administrative decisions taken between 1874 and 1935 gave the areas of northeast a distinct identity (Sachdeva, 2005), which till date in many ways is accepted. Therefore, it is understandable that apart from the extraction of the resources for their own profit the region was largely neglected and very little was done to develop the region as a whole.

Things however did not change even after the British rule ended with India's independence. Although the Indian government provided the people of the region with enough space and authority to take their decision and administer the region on

their own, the region predominantly lacked behind in all the aspects. Thus, it is generally stated that even after being in special category zone and under central special purview, along with the 25 years of existence of North East Council, it is a paradox that no worthwhile infrastructural improvement has taken place based on comprehensive appropriate planning (Banarjee, 2007).

Today while most of the other states of the Indian Territory have moved ahead and advanced in term of agriculture, industries, technology and development, all most all of the states of northeast are agrarian and industrially backward with very poor infrastructures and a high rate of unemployment. The lack of changes in technical capabilities has led to a very little contribution towards the income generation. Thus, the agricultural backwardness characterized by low level of productive, burgeoning unemployment, absence of technical progress and over dependence on monsoon has sustained as an impediment to economic development of the region (Barah and Neog, 2002).

However, it is not to say that the region lacks the material capabilities required for building up of the economy, the region as such is endowed with variety of natural resources, fertile land and abundant water resource but there has not been a proper utilisation of it. Thus, the lack of appropriate planning for productive utilization of resources has resulted in the persistence poverty in the midst of plenty (Banarjee, 2007). This can only mean that the full potential of the sector has not been utilised. Therefore, since neither agriculture nor industry has taken off, the pressure for providing the minimum opportunity will continue to remain a major challenge to the region as a whole.

Apart from the afore-mentioned factors, political instability in the form of insurgency, social movements, ethnic violence etc, in the region remains to be a pertinent and persistent factor for the further isolation and slow progress of the region. Although the strategic location makes peace and prosperity of the region an imperative for the national security, yet ever since independence the region has been the hot bed for social turmoil which has manifested itself in variety of forms. In order to fulfil the political aspirations of various ethnic groups, a number of new states had to be carved out of the composite Assam during the post independence period (Goswami, 2002). However, there still prevails the discontentment over the number of issues like, large-

scale illegal immigrations changing the entire demographic profile of the region, lack of development despite the regions rich resource endowments. In addition to this recurring and unsolved problem, in contemporary times the social turmoil of the region is also reflective of a society in transition, giving rise to conflict between 'tradition' and 'modernity' (Goswami, 2002). Thus making it imperative for the people in the region to adapt and adjust in the extended world of modernity.

Taking the context of modernity and its extension in the form of liberalisation, privatisation and globalisation, it is now a known fact that the region is not immune from these forces and that the operation of the private players and IFIs are very much in process in the region like in any part of the country. However, the region only partially open and still confined to the traditional practices makes it difficult for both the players, that is, the people inhabiting the region and the private bodies to operate and negotiate. However, the fact that these bodies and especially the IFIs have been playing implicitly or explicitly a crucial role in administering and governing the region cannot be neglected.

Thus, it is evident from the above background that the political history of the region, along with its society, economy, culture and institutions that govern has undergone many changes from that of pre-colonial to the colonial period and the post-colonial period. However, what remains to be uncovered is if the new and existing forms of governance and the institutions that sustains is going to be beneficial to the people of the region in general and help the region to develop and grow in particular. For this, the chapter will first give a brief analysis on the role and the functions of the traditional institutions of governance that existed before and during the British rule, followed by the change and the sustenance of the very institutions of governance under the statutory body of the Indian government. In the last section the new pattern of governance and its impact by the international financial institutions on the local people of the northeast region will be addressed.

SELF-GOVERNING TRADITIONAL INSTITUTIONS OF NORTHEAST INDIA

Northeast region as we see today was not always the same; it like any region of the world underwent various transformations in terms of its physiography and demography based on the culture and the domination of the ones that ruled. Initially

the regions, which we categorise today as northeast, were independent entities with self-governing institutions based on the rule of the community. However, things changed with the advent of the British in the region, which changed the entire physiography and demography, with more of the areas added to Assam so that it would be easier for them to administer it as a one single political unit. However, after India's independence in order to satisfy the growing discontentment among the different tribes residing in the region many independent states had to be carved out of the larger territory which initially formed Assam. This general background of the region is necessary to understand the inception and the working of the institution, which existed back then, and how it along with the time and the pressure from the external forces underwent forceful and necessary changes. However, there is also a general acceptance that not all the changes might be the imposition of the external authority but some changes might also be the result of the tribe's/ people response to the encounters with the external authority (Ganguly, 2002: 47).

Taking history as a reference point it is generally believed that the indigenous people living in the hills of northeast India had organised themselves under the society system of their own, with own system of self-governing institutions. According to the limited text available about these institutions, it is evident that there existed two distinctly different types of system of governance in the hills i.e. democratic system in the clan-based and autocratic system of chieftains controlling by the clans or the village headmen. In certain communities these traditional institutions were very well organised and well structured, very much like a miniature state in some cases, and in few communities these institutions were loosely organised without any central authority (Singh, 2008). Of all the tribes and the institutions they followed, much mention can be found of the society system of the Garos, Khasi and Jaintias more than any other tribes that existed. While some of the tribe like that of Khasi followed a much evolved form of system of governance with *villages* at the bottom, *Raids* at the middle, and *Syiemships* at the top; many other tribes like that of Garos followed a simple system of governance of clan based village community, within limited boundary and jurisdictions and other indirectly ruled by the titular kings (Singh, 2008).

Taking aside these trivial differences, it is evident from the available writings that the self-governing institutions of all the tribes residing in the region had many common

features like that of the methods of production, the village assembly, and most important of all the “institution of chief-ship”. One important thing to understand in this context is that territories then were not much important to the chiefs/kings; they as such were the ruler of the subjects rather than the owner of the territories.¹ Territory for them was important as it provided the nexus for the sustenance of the social organisation, but not the core around which the social organisation was woven (Burman 2002), and since system of clans and communities were more prevalent then, this was what was important.

The chief, also known by number of other names like ‘Sardar’, ‘Chaudhuri’, ‘Lal’, ‘Lingdokpo’, ‘Recho’ in Naga, Mizo, Khasi, Jaintias, and Alongri was the most important one that headed the traditional institutions in all the communities. He as such was not only the administrative head of the village but also the fountain of justice. He therefore acted as a judge and decided disputes among the villagers and clans. However, this trait was not prevalent in all the community, among some tribal communities of the region, the chief alone could not perform the administration of justice (Burman 2002). In this case, the chief acted only as the judge, and the ‘durbar’, ‘council’ or ‘mei’ performer did the duty of the jury. The chiefs therefore, had to consult the council members or elders of the village communities for administrating justice (Burman 2002).

Among those tribes whose chief were elected by the people, his power and functions were circumscribed to them or to the different councils set up by the people themselves. Such chief had to run the administrations according to the tradition, customs, usages, and culture of the tribes or community concerned. In many areas of decision making process, the general will of the people was necessary to be taken into consideration. This as such reflects the idea on how local people played an important role in shaping the decision to be made for both themselves and the community as a whole.

While chief remained the dominant head in most of the communities, other important dignitaries like the ‘village council’ or the ‘council of elders’, ‘village headmen’ and

¹ This is evident from two facts. First, among the Mizos, if a person killed an animal in the territory of another chief, he had to give flesh tribute to his own chief and not the chief in whose territory the game was bagged. Second, during the war, the chief depended on a hero, called Pethe, who enjoyed many privileges in the community life. But in the matter of management of land he had to depend on a council called Upas, selected by him from among the different lineages.

heads of different clans residing in the villages also played an important role in the administrative and maintenance of the villages and communities. These councils in some of the communities always assisted the chief in his administrations. In this respect, the chief could not ignore the power and functions enjoyed and entrusted on these councils. Thus, according to the author, mini-parliament at the grass-root level could be said to have worked among such people (Gassah, 1998).

In addition to assisting chiefs these councils were further entrusted with number of other functions of which some of the most important were; to ensure the individual families to take up forest lands for shifting cultivation in accordance with their customary practices, to settle the dispute among the families and the villagers on many issues especially relating to, marriage relations, use of lands by individual households, trial of cases, distribution of hill slopes for shifting cultivations, organisation of communal ceremonies and festivals for the peace and prosperity of the settlements, looking after the defence of the village, and helping the poor and sick residing in the villages (Rana and Gosh 2008).

Thus, it is evident that the administrating power of the chiefs and his subordinate transcended to almost all the level and were not confined to a watertight compartment as is evident today. The participation of the people could be witnessed in almost all the important decisions, including the electing of the chief and the power vested on him. The local villagers held so much of power that if they felt that the chief and his subordinate were not working satisfactorily they could even remove them from the designated posts.

However, during the later period especially with the advent of the British, the village and the way it was administered underwent series of transformation. The British administrations had tremendous effect on the traditional institutions in general and the power and the functions of the chiefs in particular among the various tribes of northeast India. These effects were in different forms and extent of magnitude because the British did not adopt a single or uniform approach or policy towards the different tribes of the region.

After subjugating the kings and chiefs of the valleys and hills, the British introduced number of administrative measures. The hills as such were divided into number of territories subjected to different regulations and acts. The chiefs and the council who

initially exercised their authority on all matters and cases without any exceptions after the arrival of the British were limited to few. Thus, according to Shibani K. Chaube, 'the immediate impacts of the British power on the hills were territorial. When in 1832, upper Assam was restored to the subordinate monarchy, the prince was granted a limited authority on criminal and unlimited authority on civil justice. This pattern was later applied in the administration of the hill areas where the total application of Pax Britannica was evidently impossible' (Chaube, 2012).

With regard to their policy towards the traditional chiefs of the different areas, the British were very particular to see that such indigenous institutions be made a useful tool in their hands. The British therefore allowed this indigenous system of administration through the chiefs to continue because they wanted to rule the chaotic tribes of this most difficult terrain with minimum expenditure. In order to further enhance their imperialistic interest, the British made the chiefs as their allies, and enhanced their role and projected him almost like 'landlords' (Gassah, 1998). This was done, as they aware that the rational imposition of colonial administrations would become easier only through the control of the chiefs first and then the masses latter (Gassah, 1998). This provided the colonial rulers a short cut way to ultimately control the people without taking any direct mass line of action that would have been a more hazardous process and more expensive financially (Gassah, 1998). Thus, in practice the British recognised only the office of the chief and not the people in dealing with the tribal administrations.

The chief, owing to such approach in some of the cases, became more powerful and more authoritarian towards their people than before thus, shifting their loyalty and commitment from that of people to the colonial masters. In these changed circumstances the British appointed the chief not only to assist them in running the administrations but also used them as 'commission agents' owing to the service rendered by the chiefs to collect and extract taxes and other payments from their own people and deposited the same to the British treasury (Gassah, 1998). This not only helped the British to raise their income and revenue from the difficult hilly terrain of the region but also made their work much easier. The traditional chief in this way became the tools in the hands of the colonial rulers who took the maximum political advantage after giving them a sense of political safety and stability by their policy of official settlement.

Apart from these, other notable effect of the British administration on the traditional institutions of 'chieftainship' was the deviation it made from the customary practice of appointments of chiefs. The new practice introduced by the British drew and appoint the chiefs even from among the commoners, a practice unfamiliar to the local people (Barua, 2005). In addition to this, they were also allotted vacant lands for the establishment of their villages. This was done to maintain the loyalty and stability towards administrating tribal people. Therefore, it can be said that the British administration were responsible for creating a totally new set of traditional leadership contrary to customary tradition of the local people (Barua, 2005). Thus, it is evident that various rules for administration of justice was issued in the hills from time to time, thus simultaneously trying to maintain indigenous social institutions and at the same time imposing new rules and territorial authority in uniform way (Goswami, 2002: 8).

Although the British were in the hills for less than a century, they were instrumental in sowing the seeds for transformation of the hill societies from building up of small township, cart roads, and introduction of money. Monetisation as such led to the emergence of petty traders and business enterprises among the locals. Apart from this, church further played an important role in the whole process of transformation. Thus, it is generally said that, 'if the British administration prepared the ground for social transformations in the hills it was hastened by the church, which acted as an agency of education and other social services' (Goswami, 2009). However, when it comes to the instability created by external forces this very institution went much deeper to upset the traditional power relations (Goswami, 2009).

Thus, it is apparent that many of the traditional social and political institutions showed signs of stress under the combined impact of monetisation and the spread of western education. However, these traditional institutions and its pattern of governance although weakened, survived and still continued to survive and play an important role even after the end of colonisation and the beginning of an entirely new era, with entirely different body of rules.

GOVERNANCE UNDER STATUTORY BODY

As evident from the preceding section, a policy of minimal political interference was followed by the British to the hills tribe with very little introduction of political reforms. As such, variety of local self-governing institutions with their associated participatory structures and processes existed among the hill tribes and further continued even after the formal ending of their rule. Thus, even when the post-independence period witnessed a massive reorganisation of the north-eastern state,² the tribal people were still allowed to have these institutions in accordance with their traditional-customary laws and practices.

Owing to the special constitutional arrangements, the central government in order to integrate the region through democratic means into the federal frame of the constitutions of India accepted the right of the tribal people to retain their way of life and identity. This as such was maintained by the Indian government to preserve their cultural identities and interests to alleviate their fears of exploitation at the hands of the non-tribals (Sachdeva, 2005). Therefore, a variety of institutions dominated by the traditional tribal culture with semi-autonomous and self-managing indigenous local institutions at different level were allowed to exist and function.

This however does not mean that the Indian government had left the area full-fledgedly to be administered by these local institutions. Since the states of the region had been recognised by the Government as a 'Special Category States', different but end numbers of policies, councils and institutions had been introduced which according to the government was as per the requirement of the region. The policy of sixth schedule applied in the region led to the application of the Autonomous District Council (ADC), which according to Goswami, 'had some appearance of 'state' within the state'(Goswami, 2002). Being autonomous in their internal functioning within the broad constitutional provision, these councils differed substantially in laws enacted and rules framed.³ Likewise, the ADC of different state were also subjected to varying

² Manipur, a constitutional monarchy, signed the instrument of merger in 1949. Tripura was the first native state to accede to India. Both became Part C states to start with but subsequently acquired union territory status and finally full-fledged statehood in 1972. The Lushia hill district of composite Assam finally gave birth to a new state, Mizoram in 1986. Similarly the Naga hill district of composite Assam became the state of Nagaland and North East Frontier Agency (NEFA) became the full-fledged state of Arunachal Pradesh.

³ In the matters of voting rights, some ADC, e.g. Mizoram confer the voting right to all the eligible adult above the age of eighteen years, while some ADC, as in case of Karbi Anglong ADC, additional

degree of control of the state legislature, and differed in matters of decentralisation of power to grass-roots level, setting up various levels of courts, and in accommodating traditional self-governing institutions to the formal structures (Goswami, 2002). Thus, in simple understanding it can be stated that these council with similar function to that of the traditional institutions but with little deviations were responsible for looking after the social, economic and minor criminal and civil matters of the tribal people. More specifically these councils were empowered to make laws with respect to land, water, forest, watercourse, shifting cultivation, establishment of village and towns and its administration, appointment of or succession to chiefs or headmen, inheritance of property, marriages and divorce and matters relating to any other social customs (Goswami, 2002).

To further integrate the region and to develop it according to its own institutional framework, various schemes for the development of infrastructure and economy of the northeast region had been formulated by the centre. This scheme includes the formation of North East Council, Hill Area Development Project and Sub- Plans, Tribal Areas Sub-Plans, and Tribal Development Agency Projects (Sachdeva, 2005). In addition, these states been declared as special category states, received the central assistance based on 90 percent grants and 10 percent loans. Creation of a separate ministry like the Development of North Eastern Region (DONER) was also an initiative of the government to integrate the region in general and allow it to maintain its own independent stand (Sachdeva, 2005).

Further to safeguard the interest and practice of the people residing in the region, restrictions to the outsiders to acquire landed property in these areas have been imposed. The initial regulation of inner line permit prohibited the entry of outsiders into Arunachal Pradesh, Mizoram and Nagaland without a permit and debarred a non-native to acquire lands to prevent land alienation from the natives. However, this very aspect is today highly contested, questioning the very stand of the government.

However, it is just to say that there exists a parallel relation between these two diverse bodies. While the traditional institutions had some kind of stand in the initial phase of the independence it gradually got subsumed or is in the process to be under the larger

qualification for voters like length of stay in the area and right to access to traditional land were also included.

framework of the centre. Although it is maintained that different institutions and policies as per the traditional practices are maintained with enough space for the people of the land to participate, in practice it is just not the case. No doubt the institutions and policies are framed but the control of it is from the centre with very little space for the people or the representative to function. For instance, the introduction of the District Council under the sixth schedule has a tremendous effect on the power and function of these traditional institutions, it as such did not bring any improvement on the contrary, the new power structure has radically reduced the power of the local institutions, and in many cases superseded the latter.⁴ Again upgrading the department of DONER to ministry in fact shifted the decision making power from that of Shillong to Delhi (Wangkheirakpam and Yumnam, 2006).⁵ In many of the occasions, there have been a tussle between the traditional elites represented by the chiefs and headmen and the modern political elite of popular elected representatives further straining the relationship between the statutory and the traditional bodies (Singh, 2008). The functioning of these statutory bodies has been highly disregarded by the local people residing in the hills; this dissatisfaction among the people of the region is also believed to have led to instability in the region of which the maximum of the blame has been on the apathy of the state government in particular and the centre in general.

Therefore, despite the absence of the democratic norms in most of the cases, the traditional institutions still continues to receive substantial support in the hills. It is the traditional institutions, which comes to the forefront when in confrontation with the state and its apparatus. Similarly, in the regulation of basic institution, centring family, property and customary matters, the traditional village headman and his associates still plays very important roles. This as such helps one to understand the peoples need for governing self, not based on someone else's impositions but by self created and socially conducive institution of governance.

⁴ In Mizoram immediately after their constitution, two autonomous district councils abolished the traditional dues payable to the chiefs in 1953 through necessary enactment. This as such was the case in many other areas too. While all the ADC in accordance with the provision of the sixth schedule were empowered to make laws relating to, among others, appointment or succession of chiefs, consequently the result was just the opposite, as in chief becoming the subordinate of district officials.

⁵ It is argued that the depowering trend is visible after the creation of Ministry. Soon after being upgraded to Ministry, IFIs began their push in the region, particularly the ADB, which is argued to have a hand in the creation of the Ministry as a special purpose vehicle to push their designs in the northeast region.

IFIS AND LOCAL GOVERNANCE IN NORTH EAST INDIA

Northeast as a region has remained neglected, underdeveloped, with poor infrastructural facilities, and minimum contact with the outside world. However, this stand of the region as a whole is gradually being replaced, with slow imposition of a particular pattern of economic development, which is especially evident with the intensification of neo liberal ideas. Thus, according to the new policy prescription the region as such is perceived as 'India's new development frontier' (Wangkheirakpam and Yumnam, 2006).

The Government of India (GoI) in recent time has adopted an aggressive neo-liberal economic framework, and the locational advantage of the northeast has generated massive interest, especially in need to expand trade and investment cooperation between the countries and dominant economic interest of south Asia and south East Asia (Wangkheirakpam and Yumnam, 2006). It is in this context of expansion of trade, economic growth and liberalisation of economy we can witness the leading role played by international financial institutions (IFIs) and private players in terms of assisting and funding major projects. These institutions in contemporary time has emerged as major players in channelizing and legitimising new form of 'governance', which has had a worldwide impact.

Thus, it is obvious that the IFIs have been seeking deeper penetration into northeast and more so after mid 1990s when the state level reforms came to be more in practice. This move from the side of these external players has had a far-reaching consequence in not just influencing but also directing development paths in the northeast region. As mentioned in the introduction the three major IFIs involved in the northeast are- ADB, WB, and JBIC; however, the focus of the chapter will be more on the funds and the technical assistance from the ADB. The region has been funded and provided assistance by the bank in large number of sectors and areas, of which the table has been provided. Thus, the working of these IFIs in the region can be witnessed in all most all the sectors ranging from transport and communication, infrastructures, tourism, urban development, sanitation, capacity building to power sector.

Table 2: Technical Assistance and Projects of ADB in the North East Region

Sector	Projects/Technical Assistance	State/Region	Grants/Loans	Year of approval	Period
Energy/ infrastructure	Assam power Sector development Program	Assam	150m \$ US	10-12-03	-
	Assam power Sector development Program II	Assam	100m \$ US	10-12-03	-
	PPTA:IND35290-01. North East Region Urban Development-I	Multi-State	1,000,000\$ (DFID)	June, 2004	Oct,04-April,05
	TAR:IND.3713. North Easter State Roads	Multi-State	800,000 \$ UK Govt, 200,000 GoI	Aug, 2004	NOV,04-Aug,05
	North East region transport Capacity development	Multi-States	900,000\$	Aug,04	-
	TAR:IND 36012. Inland Water Transport sector Development Strategy	Multi-States	900,000\$ JSF & 225,000\$ GoI	Nov,02	Aug,03
	PPTA:IND. 38260-01. North East Region Urban Development-II	Multi-State	800,000\$	Nov,04	Sep-05-Apr,06
	Assam Integrated Flood Control and river Erosion Mitigation Project	Assam	800,000\$	Aug,04	05-07
	TAR:STU.36462.Subregional Corridor Operational Efficiency Study in South Asia Sub Region	SASEC	250,000\$	Jul, 03	Sep,03-Mar,04
	TAR:IND 3602, Inland Water Transport Sector Development Strategy	Multi-State	800,000\$	Nov,04	Sep,04-Apr,06
Governance	Capacity Building for Project Management and Community mobilisation in the North East Region	Multi-State	600,000\$	Aug,04	05
	TAR:IND36308. Assam Governance and Public Resource Management Program	Assam	700,000\$ (DFID), 17500\$ GoA	Jul,03	Oct,03-Jun,04
	TAR:IND 36055. Capacity Building for Fiscal Reform in Sikkim	Sikkim	600,000\$ (DFID) 222750\$ GoS	Dec,03	Feb,04-Jul,04
Tourism	TAR:IND037367.SASEC, HRD & CP In Tourism Sector	SASEC	600,000\$	Dec,04	
	TAR:IND.39399. South Asia tourism Infrastructure Development Project-India	SASEC	20,00000\$	Nov,09	
Trade	North East Region Assessment and Development Strategy	Multi-Sector	750,000\$	Aug,04	PPTA-05
	TAR:IND 36308. Assam Governance 37407. North Eastern States Trade and Investment Creation Initiative	Multi-Sector	500,000\$ (grant) & 125,000\$ GoI	Oct,04	Dec,04-Jul,05
Agriculture	Agribusiness Development Support	Multi-States	100,0000\$		Oct,03-06

Source: Wangkheirakpam and Yumnam, (2006), Insidious Financial Intrusion in North East India.

In case of infrastructure and roads, the project funded by these IFIS are many like, the North East state Road Investment Programme (NESRIP), funded by the ADB, WB road project in Assam and Mizoram Rural Road Sector Project to name a few with an aim of reducing poverty and deprivation in the region and support economic growth by providing rural inhabitants with all weather road connections, connecting the entire region of the northeast to the national and sub-regional level road network.

The intervention and operation of the IFIS in power sector is also immense, with collaboration and consensus with the central, regional and the state government agencies and private sector partners. This in a way exposes the inability and incapability of the central plus the state in making things work in the region and over dependence on the external agencies. Some of the project funded by these institutions in this sector is; the ADBs technical assistance on the northeast power development, for which condition was imposed on the central government, that in order to avail its funds, the Assam Government first needed to show its 'commitment' by unbundling the Assam State Electricity Board (ASEB) into five components (Sharma, 2006).⁶ Japanese Bank of International Cooperation (JBIC) in power sector project in Umiam hydro electric project renovation, and Tuirial hydro electric project, etc. According to these institutions locally available resources, including hydropower, natural gas and renewable energy source would be developed, with critical transmission and distribution facilities provided by institutionalising and strengthening the power sector.

Trade and investments have been prioritised by the ADB and other institutions as one of the most important sectors to be developed and explored in the region. As evident from the statement of northeast being the 'corridor' for enhancing economic integration with South Asia, East Asia, and South East Asia, the development of it becomes all the more important (ADB, 2004). In fact, all of the projects and TA funded and addressed by the ADB in the region in all the other sectors are all directly aimed at facilitating sub-regional trade and investment.

⁶ The Assam Power Generation Corporation Limited (APGCL), the Assam Electricity Grid Corporation Limited (AEGCL), the Lower Assam Electricity Distribution Company Limited (LAEDCL), the Central Assam Electricity Distribution Company Limited (CAEDCL), and the Upper Assam Electricity Distribution Company Limited (UAEDCL).

Another important sector where the investment of these institutions are huge is 'tourism' which is often portrayed by the IFIs as one of the solution to the economic and political problem that the north east is facing. It as such had already identified it as a priority sector for sub-regional cooperation in tourism i.e. South Asian Sub-Regional Economic Plan (SASEC) (ADB 2004). It is interesting to note that all the major investment in the region for tourism has been made considering this plan to support human resource development in the tourism sector and in SASEC member countries. Although the government has initiated tourism promotion for sometimes now, there has been increasing planning and resource diverted to this sector.

Urban development is another important sector where the investment of these institutions is many. ADB as such has taken up the largest number of initiatives in Urban Development in northeast. Several technical assistance has been initiated by the ADB, including two for the North Eastern regional Urban Development project i.e. phase-1 and phase-2. These institutions are of the view that there is a co relation between urban development and economic development, and that in order to effectively implement its other projects and its overall economic strategy, urban centres in the region requires their assistance both technically and financially. The technical assistance states that the primary purpose "is to identify potential investments through development and expansion of urban infrastructure to increase economic opportunities and to reduce urban poverty and vulnerability to environmental degradations" (ADB 2004). It further reveals that the technical assistance will promote 'good governance' and better financial management. The project of ADB in northeast covers urban development initiatives to improve municipal services and manage the intended growth of cities of Agartala (Tripura), Shillong (Meghalaya), Gangtok (Sikkim), Aizwal (Mizoram) and Kohima (Nagaland). As for Shillong and Gangtok, the WB South Asia water and Sanitation project is further co-financing, water and sanitation project with Australian Aid.

While number of projects and technical assistance are provide to the region through funds and grants, the motive with which they operate has largely been open and questioned owing to the large-scale marginalisation of the people in the development process and the impact these institutions have created leading to instable and exclusive policies. The move for the privatisation of water and demanding for reforms of land in case of project for urban development have further exposed the actual

interest of the IFIs. Thus, It has been increasingly evident both from the experience of the region and from the other parts of the world that the process of governance that these institutions disseminate is largely undemocratic, benefitting only the elites and the few. Further, the conditionalities imposed on government by the these institutions under their framework, which have in fact taken away people's right to development primarily benefitting the local, national and global elite, thus being antagonistic to the short and long term interest of majority of indigenous tribal people have made people less likely to accept these institutions (Wangkheirakpam and Yumnam, 2006).

To make the matter worse national and the state government in order to attract more investments from these IFIs have already begun to disregard the rights of indigenous and tribal people to their land by seeking changes in existing legislation and policy to allow privatisation, corporate alliance and individual appropriations. It is in this context the case of the northeast becomes all the more relevant. This as such has not only led the people to protest against the government in general and the IFIs in particular but has led to full-scale resistance leading to the stoppage of the ongoing works like, Mizoram state road project funded by WB. The indigenous and tribal people affected by IFIs operation maintain that their natural habitats, essential for their survival, have been pillaged, looted and eroded by IFIs supported extractive projects like oil mining, logging, fishing, industries, etc, with little benefits accruing to them (Wangkheirakpam and Yumnam, 2006).

Although, in its policy prescription the participation of the local people in the project initiate is taken to be necessary condition, hardly any development thrust takes place with any public debate or inclusion of those who this development is supposed to benefit. The designs and working of the IFIs especially the ADB is done in clandestine manner, so much so that even local elected representatives are not aware of their plans being crafted that link their territories.

Therefore, it is matter of obvious concern that IFIs have been seeking deeper penetrations into NE, especially in a region where the awareness of the record of the IFIs is less known and the space to seek democratic oversights and accountability are weak. It is important in this case to understand that the institutional arrangements that have been made to facilitate IFIs supported projects, have in the process undermined or eroded the community centred institutions and customary system of decision-

making and accountability (Barua, 2005). The locals are in the process criminalised, they are forcefully removed from the land and in some of the cases where the region is rich in resources Para military forces are stationed (Wangkheirakpam and Yumnam, 2006).

In any form of governance or administration transparency becomes the most important criteria, however when it comes to IFIs this is missing, and more so in case of northeast. Only in the later stage after all the crucial decisions are made, are the information disclosed and that to not in all the cases. Appropriate information are not provided to the people at the appropriate time despite repeated request made by the project affected people, civil society and the locally elected decision maker. The information on immediate and future impacts that the IFI-supported projects will have are also not provide to people making it all the more difficult for the people to trust on these institutions.

Thus, what is evident in the application of these institutions is the legitimisation of pattern of economic development that are essentially based on an intensive and extensive appropriation and exploitation of natural resources, undermining of traditional productive and natural system, the polarisation of wealth and the legitimisation of development process that are being implemented in largely undemocratic ways (Wangkheirakpam and Yumn, 2006).

CONCLUSION

The pattern of governance and the institutions that legitimises it thus become very important in the progress and development of any state or region, and this becomes all the more pertinent when we take northeast as an example. The governing system in the northeast as evident from the preceding section has undergone a series of transformation changing the entire pattern of governance by the one that has been dominant. However, not all the governing body as understood from the chapter is productive and efficient to bring about a positive changes and development in the region. The governance pattern of both the British and that of the statutory body under the government of India had been inefficient in bringing about required and positive changes. This as such is also evident from the fact, on how the local people of the hills resorted to the traditional institutions for many of the problems that they faced in their daily life.

However, what could also be witnessed is the declining faith in the traditional institutions among the people with the change in time and environment, and transition in legal, social and economic life of the people. Thus, what could be observed as a result was the regulation of governance by both the traditional and the democratic institution.

However, with the intensification of the neo liberal paradigm and the proliferation of number of actors the process of governance regulated by the state and the traditional bodies came to be labelled as inefficient and incapable of bringing any progressive changes. Thus, there was a legitimisation of a new kind of pattern of governance, which largely catered for the private actors to play a dominant role. The IFIs in this context emerged to be one of the most dominant actors in legitimising the new pattern of governance.

This is also evident in the context of northeast region, wherein large-scale projects funded and approved by these institutions are in operations. However, as evident from the earlier section, the motives with which these institutions have been operating are increasingly being debated and questioned today owing to the marginalisation of large sections of people in the governing process and environmental instability it has created. This has led to a general dissatisfaction among the people with an increasing call for the governance disseminated by these institutions to be dismantled, with an increasing demand for the creation of an institution of governance, which would cater more to the need, and demand of the people, along with the concern for the environment of the region.

CHAPTER - IV

ADB'S DEVELOPMENT AGENDA IN SIKKIM AND ITS IMPACT ON LOCAL GOVERNANCE

CHAPTER IV

ADB'S DEVELOPMENT AGENDA IN SIKKIM AND ITS IMPACT ON LOCAL GOVERNANCE

INTRODUCTION

'Governance' as evident from the preceding chapters has remained and will remain to be the most important factor in the debate on the progress of any country or region. Today it occupies a centre stage and a crucial element to be incorporated in any development strategy of a country. The belief that to be effective, governance should be multiple with authority to address it across many levels has had a large-scale impact in the functioning of the world politics. Decentralising governance in this sense becomes very important and it is a phenomenon that can be witnessed all over the world. Many third world countries after their independence established the decentralised governance system for the overall development, thus, to quote a recent WB study, 'out of 75 developing countries and transitional countries with population greater than 5 million, all but 12 claim to have embarked on some form of transfer of power to local units of government' (Bodman, 2008: 2).

In case of India, decentralisation is a part of large struggle for self-reliance and an attempt to integrate and mobilise people towards socio-economic reconstruction. The 'Panchayat' in India provides the institutional framework to the concept of democratic decentralisation in the rural areas of the country. Its advocates believe that decentralisation of local institutions that work in devolved manner could chart a path for achieving goal of good governance and development (Chhetri, 2012). To achieve this goal, the 73rd Amendment Act(1992) of the constitution was passed, which was the first act of its kind to accord constitutional status to the 'panchayat' in the country.

Local Self Government and Panchayati Raj System in Sikkim

Sikkim an erstwhile Himalayan kingdom, entered into the mainstream of Indian union in may 1975 as a 22nd state of India. Prior to its merger, it was a theocratic, feudal, agrarian and under developed country and had remained administratively isolated for many years. The socio-political structures centred on the hierarchy of lamas and monasteries and the king exercised the absolute authority. Unlike the present forms of

local bodies, there were no codified rules and regulation to guide the villagers in the past. Nevertheless, for the local and regional administrations, the whole country was divided into different regions and each of the regions was looked after by the district officer known as Dzungpons appointed directly by the king. However, the appointment of the British political officer and the changes introduced in the administrative field seriously disrupted the traditional political system (Chhetri, 2012). Eventually, a new pattern of regional and local administration emerged in which the 'Kazis' and 'Thikadars'¹ played the central role, displacing the former body of governance as the main agent of the Sikkim's government at the regional level (Chhetri, 2012).

So far the institution of the local self-government is concerned it was instituted only in 1951 with the signing of the Indo-Sikkim treaty, wherein both parties agreed on progressive association of the people for the governance of the state (Chhetri, 2012). However, owing to lukewarm response from the Royal Government of Sikkim in the proper functioning of these bodies, the institution soon became defunct and was revived again only after Sikkim's merger with India.

Nevertheless, a major initiative taken by the Royal Government to associate the people for the better implementation of the programmes was the enactment of *Sikkim Panchayat Raj Act, 1965*. This act consolidated and re-enacted the various local government laws prevalent in the state, and extended the role of the panchayat in developmental activities, with certain executive and judicial functions like the maintenance of vital statistical records, management of primary schools and authority to try some petty cases. This Act, further stipulated for a single tier panchayat, with block panchayat at the village level, which continued till 1982 even after its merger with India (Dhamal, 1993).

Again, in 1982, the government of Sikkim enacted a new act called *Sikkim Panchayat Act 1982*, to reorganise the panchayat with a view to ensure efficient panchayat administration in the state (Dhamal, 1993). The objective of these was to achieve maximum participation of citizen in the administration of their local affairs. It is

¹Kazis and Thikadars, were the traditional heads of the self governing bodies in Sikkimes societies who exercised authority over number of administrative functions in the state.

argued that this Act was in fact the first major step taken by the government in the process of democratic decentralisation after its merger (Dhamal, 1993). The Act, by replacing the earlier one-tier system, introduced a two-tier Panchayati raj system with Gram Panchayat at the village level and the Zilla Panchayat at the district level.

The two-tier Panchayati Raj administration initiated in 1982 is still functioning in the state although the *Sikkim Panchayat Act 1993* had been passed to implement some major provisions of the 73rd amendment constitution Act, 1992. The Act makes no changes in the existing two-tier system, but rather makes an arrangement for the delegation of more powers and authorities to the panchayat (Chhetri, 2012).

Thus, in conformity with the 73rd Amendment Act, with an objective of operationalising the decentralisation of power, the amended Panchayati Act 1993 has given elaborate list of power and function to these bodies. The functions of the panchayat in both the tiers as such have been broadly classified into two category i.e. mandatory and assigned (Table 3)

Table 3: Powers of panchayat as delineated in the SPA 1993

TYPES OF RESPONSIBILITIES	PANCHAYAT TIERS	
	GRAM PANCHAYAT	ZILLA PANCHAYAT
MANDATORY	Constructions and maintenance of sanitation, drainage, village roads, dharamshalas, buildings; imposition and collection of taxes, fees or rates; immunisation and managements of common grazing grounds, burning places, and public grave yards; registrations of birth and deaths; regulation inflow of animals; disposal of stray and ownerless dogs, unclaimed cattle (sec.34).	Regulation of mellas and hats; construction and maintenance of panchayat Ghars, dharamshalas. Minor irrigations; regulating supply of drinking water for irrigations; afforestation, promotion of social forestry and environmental conservation; establishment and maintenance of primary schools, health centre and child welfare and maternity centres; organisation of reliefs work; preparation of plan for all round development of the district (sec. 69).
ASSIGNED	Management of government primary schools, dispensaries, primary health care's, child welfare and maternity centres; constructions and maintenance of minor irrigations; welfare programme for the infirm and destitute; rehabilitation of displaced persons; cattle improvement programmes; promotion of education including adult education and plantation, land reforms; regulation of fairs, melas, haats etc, bringing into cultivation waste and fallow lands (sec.35).	Promotion of responsibility of employment through community farming; organisation and maintenance of clubs and other places for recreation and games; establishment, encouragement and maintenance of library reading rooms; construction and maintenance of destitute homes; slaughter houses and encamping grounds; promotion of agriculture and communal harmony (sec.70).

Source: Durga P. Chhetri, (2012), *Decentralised Governance and Development in India*, New Delhi: Mittal Publication, p 197

ADB AND ITS OPERATIONS IN SIKKIM

Sikkim a strategically located tiny hill state with area of 7096 sq. km is the least populated state of the country. It is one of the 'special category states' and an eighth member of the North East Council. It is situated in the western part of the eastern Himalaya and because of its location; the state has a political and strategic importance out of proportion to its size (Chhetri, 2012). The state, which is the second smallest state in India in terms of area, is surrounded by three international boundaries and a state of West Bengal. In terms of population, the state has a member of 610,577 people with the density of 86 people per sq km. The scheduled caste and scheduled tribes population accounts for 1.3 percent and 33.8 percent respectively (census, 2011). It is one of the well performing states in India.

Sikkim since the very early time had remained isolated and hence backward. Its merger with India no doubt changed the stand but it remained backward and poor with very little progress. However, things started changing after mid 1990s, especially with the changes inherent in the political and economic structures in general and change in the state government in particular.

Since mid 1990s owing to poor performance and physical isolation of the state, there was renewed emphasis on investments from the states government's side in infrastructures-both physical and social (as it was realised that it constituted the major constraints to the development in other sector). Sikkim faced a major structural problem, with stagnant economy, increasingly inefficient state-run enterprises and a huge infrastructure gaps in terms of proper communication networks and industries, which translated into stalled economic growth. Thus, in order to come out of the crisis situation that it had placed itself into, it opted for measures like holding an investor's forum meetings in the major cities of the country and interacting with investors and agencies during the foreign visits. This led to development of interest in the investors to initiate their ventures in Sikkim, which led to the signing of number of memorandum of understanding (MOU) between the national and the foreign investors with the government of Sikkim. This includes memorandum of understanding with a Dutch consortium led by the famous Van Rijn Trading Group in Holland, with AMCOT, a branch of Gasser Holding of Switzerland and with Building and Construction Authority of Singapore. All of them have visited Sikkim and have

started working on joint ventures in areas like watch making, horticulture and floriculture, urban development and tourism (Economic Survey, 2006-7).

Apart from these efforts, the states policy of diversifying the development partners with a view to bring better technology, effective governance and management and qualitative funding attracted a large number of development and donor agencies including WB, UNDP, and ADB (Sigh, 2008). Thus, it can be seen that by the mid 1990s the state government's emphasis was to facilitate increasing participation of the private players ranging in different sectors of the state economy with the aim of addressing issue of governance in fiscal, social and economic arena of the state

Today a number of IFIs like the WB, IMF, JICA, and JBIC can be seen operating in the state of Sikkim in number of sectors like, tourism, infrastructural development, urban development, social welfare and education of these, the ADB in recent times, stands out to be the major international agency promoting governance in different sectors in Sikkim. The ADBs '*Country Operation Strategy study*' (2000) notes that, states in India lagged behind in fiscal adjustment and structural reforms. So to address the next phase of reforms, it emphasised the need to shift reform program from that of national level to the state level and support them for broadening and deepening of the macro-economic structural reform process. It therefore suggested that the states required measures for correction of the state's macro dynamic and thus prepare them to receive sectoral and project specific assistance (ADB, 2000).

ADB as such has extended loans, technical assistance, and held policy dialogue with the state government for the development of a number of projects. The list of approved loans and technical assistance provided to Sikkim by ADB as of 2011 are given in Table. 3 and 4. The bank assistance for programme covers:

- (1) Private sector development
- (2) Restructuring of state-owned enterprises
- (3) Infrastructure development- particularly roads, and
- (4) Reforms of public finance.

Table 4: List of Approved Loans/TA for Sikkim (as of July 2011)

Sl. No	Category	Project name	Project. No	Amount	Approved
1	Tourism	South Asia Tourism Infrastructure Development Project- India.	39399	\$20,000,000 thousand	16 th Nov 09
2	Capacity Development, Economic Growth	Advanced Project Preparedness for Poverty Reduction-Land Transport Management and Master Plan for Sikkim	43166-182	\$1,100 thousand	21 st May 10
.3	Capacity Development, Economic Growth	North East Region Capital Cities Development Investment Programme(NERCCDIP)	35290-013	\$200,000 thousand	23 rd June 09
4	Infrastructure	North Eastern State road Investment Programme (NESRIP)	97143-013	\$1,200 thousand	21 st July 11
5	Governance	Capacity Building for Fiscal Reforms in Sikkim	36055	-	Dec 2003

Source: Wangkheirakpam and Yumnam,(2006), "Insidious Financial Intrusion in North East India",*Intercultural Resources and Forum for Indigenous Perspective and Action.*

Table 5: List of Sector Wise Approval of Loans/Ta in Sikkim

Category	Description of projects	Amount	Approval Date	Time of Completion	Status
Tourism	Strengthening and upgrading of road from Ranka to Sajong(8.580 km)	143.347 Million	18-04-13	18.04.2013 14.11.2015	ongoing
	Strengthening and upgrading of roads in West Sikkim- 1)Access road to Pemayangtse monastery. 2)Peling zero point to helipad. 3)Yuksom bazaar to Yuksom helipad.	149.55 Million	30-04-12	30.04.2012 - 29.10.2014	ongoing
	Strengthening and upgrading of roads from Damthang to Himalayan Institute, chemchey (2.36 km).	57.92 Million	13-06-13	10.07.2013 09.10.2014	ongoing
	Village tourism for Rey-Mindu (East Sikkim), Damthang (South Sikkim), and Uttarey (West Sikkim)	64.03 Million	-	-	ongoing
Roads and Infrastruct - ure	(NESRIP,Tranche-1), improvement and up gradation of road section of Melli-Nayabazar (9.5 kms), SK-01, and Nayabazar-Namchi (19.7 kms), SK-02, with total length of road 29.2kms	69.67 Crore	28-03-13	28.03.2013 - 28.11.2014	ongoing
Capacity Developm - ent, Economic Growth,	(NERCCDIP, Tranche-1), Urban Development: Water Supply (supplying and laying distributive system in Burtuk and Chandmari, construction of pump house, installing pump sets.	15crore (approx)	27-09-11	26.03.2013	completed

Source: South Asia Tourism Development Project- Sikkim India, Quarterly Progress Report, Jan 2014-March 2014; North Eastern Road Investment Project India, Quarterly Progress Report, Dec 2013 and North Eastern region Capital Cities Development Investment Programme, Semi Annual Social Safeguard Monitoring Report, July 2013.

IMPACT OF ADB ON LOCAL GOVERNANCE

As evident from the table above the operation of the bank is in a full swing in the state of Sikkim. Its presence can be witnessed in the entire important sector, and more precisely in tourism. However, apart from just knowing as to where the fund is sanctioned? How much the cost? and the time of completion? It is important to know the impact that these institutions creates in the area that it operates and the benefits that it generates to the people. Since the IFIs in general and ADB in particular in recent time has been giving more emphasis to the idea of 'governance', this very idea will be used as a parameter to understand the impact and the working of the bank in case of Sikkim.

The fieldwork conducted for the chapter gives a mixed result about the perception that bank has had among different groups of people. To the people residing in urban areas of the state a positive attitude towards the existent and operation of the bank could be witnessed during the interviews and interaction for the study in the state. To the rural population in the project-implemented areas unfavourable view about the bank could be witnessed. However, it is to be noted that a large section of the population remained unaware of the banks operation and therefore remained neutral with little or no comments on the issue of the operation and the existence of the banks in the state.

Sector Wise Analysis of the Operation of the Bank in Sikkim

The notion of governance disseminated by the financial institution in general and the bank in particular revolves around the question of participation, inclusion, accountability, and transparency at all levels. This study will therefore take a sector wise analysis of the operation of the bank in the state and try to analyse its presence and incorporation of these ideas in the local governing process of the state.

Table 6: Total Number of Tourist Visits in Sikkim, 2005-2013

Year	Domestic	International	Total
2005	347650	16518	364168
2006	421943	18049	439992
2007	465204	17837	483041
2008	512373	19154	531527
2009	615628	17730	633358
2010	700011	20757	720768
2011	552453	23945	576398
2012	558538	26489	585027
2013	576749	31698	608447

Source: Official Web Site of Sikkim Tourism, Tourism and Civil Aviation Department, Government of Sikkim, 2011-12.

Table 7: Tourist Inflow in Northeast India, 2005-2011

Year	A.Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura
2005	33170	2594737	93679	381010	46312	18353	364168	225291
2006	51755	3492878	120835	404546	50786	16426	439992	232798
2007	39039	3503013	101460	462952	44961	23021	483041	246855
2008	152312	3713239	115571	554873	57635	22348	531527	249155
2009	199092	3910219	127929	595920	58314	22376	633358	325694
2010	143363	4143080	-	656933	58242	-	720768	359296

Source: Rizan, Praveen, (2013), 'A Comparative Study of Tourism industry in Northeast State of India', Vol.12, Issue.4, IOSR Journal of Business and Management; Tourism and Civil Aviation Department, Government of Sikkim, 2011-12.

D) Tourism

Tourism is often portrayed by the bank as one of the solution to the economic and political problem that the state or the region faces. For Sikkim, tourism since very early time has been an important source of revenue for the state. Thus, the bank taking into consideration that Sikkim's comparative advantage lies in tourism has diverted maximum of its funds and assistance to this sector.

Although tourism is one of the most important revenue generator of the state lack of proper roads and connectivity had emerged as an impediment to this sector. Thus, the maximum amount of the fund allocated by the bank in this sector is on the up gradation, strengthening and construction of the roads for the improvement of the connectivity to all the major tourism sites in the state.

Three projects are under taken in this sector; the first is the Ranka-Sajong road and the village tourism at Rey-Mindu, which is part of Rumtek circuit and destination development. The second project is the up gradation and strengthening of road towards the Village tourism in Damtanag, this project is a part of the development of the infrastructure and facility development of the Indian Himalayan Centre for Adventure and Ecotourism. Similarly, the third project covered by the bank is the up gradation and strengthening of the roads in and around the sub-division of the West Sikkim and village tourism in Uttaray.

Although the maximum number of project funded by the bank is in tourism, the pattern of governance of the local under this sector is weak with very little participation of the people in the decision-making and the development process. As far as transparency is concerned, majority of the project are undertaken in an undemocratic manner, with little or no participation and information disclosed to the people.

When it comes to implementation and utilisation of the fund, the amount sanctioned for the village tourism becomes questionable. This is evident from the case of Village tourism in three places of Rey-Mindu, Damthang and Uttaray. While in the village of Rey-Mindu, the participation of the locals at the village level can be seen in their involvement in providing home-stay and guides to tourist, it was clearly missing in case of the other two villages, that is, Damthang and Uttaray. Although the list, along

with the names of stakeholders was provide for the amount sanctioned for the home stays, not even a single person and the house could be located in the area. When inquired a resident of the village, and a member of local self-help group in Uttaray about the reason for this, she was of the view that the list was prepared not on the basis of proper meetings and engagements of the local people but on the basis of just putting the name on the list without proper consideration and engagement of the locals (field study).

Even in case of Rey-Mindu while the sanction and the channelization of the amount was made by the local NGO, proper utilisation of it in case of the development of the village could be seen missing. Not all the village locals were involved in home stay business, only houses with proper facilities that had adequate water supplies and sanitation facilities benefitted. Besides, since the allocation of the tourist was made by the local NGOs not all the houses received the tourists. According to the villagers, this process clearly favoured some households.

Apart from this, the road project implemented under this sector, are far behind their stipulated time of completion with very slow progress. This was even more evident in case of the Ranka-Sajong road. The delay in the completion of the road has increased problems for the people residing in this area like, difficulty in terms of travelling, increase in the level of dust particles etc. When the people complained about this problem, the response from the officials according to the locals was that the contractors do not have the money to carry on with the work (Lakhi Doma, Rey-Mindu). This implies that the projects once sanctioned are beyond the bank's supervision. This also indicates undemocratic and unethical way the bank and the private contractors have been operating in the state.

Table 8: Total length of Roads Funded by the Bank in Northeast Region under the North Eastern Road Investment Programme

State	Length (Km)	Length of Road funded by ADB (km)
Arunachal Pradesh	10,240	-
Assam	37,555	137.6
Manipur	12,628	93.2
Meghalaya	2,786	93.4
Mizoram	6,840	55.0
Nagaland	2,786	-
Sikkim	2,873	34.2 ²
Tripura	16,931	20.3
N E-total	86,479	433.7
India (total)	33 lakhs Km (approx)	433.7 (total)

Sources: Government of Arunachal Pradesh, PWD, (2010); Department of Industry and Commerce, Assam,(2010); Manipur, Roads and Bridges Department, (2011); Meghalaya State Portal,(2010); Mizoram, Road Development Policy (2010); Nagaland Home Portal of India, (2011); Sikkim-India Brand Equity Foundation, (2010); Tripura, Road Map of Tripura, (2013); national Highway Authority of India, Ministry of Road transport and Highways, Government of India; NESRIR, ADB (2011)

²The original proposed road section was to cover 34.2 km including both areas, but since the government of Sikkim decided to convert part of the first section (Sk-01) from 0+000 (Melli) to km 17+100 (Manpur) into a two lane road, only the section from Melli-Nayabazar and Nayabazar- Melli was included for the programme covering 29.2 Kms, (Quarterly progress report, 2013).

II) Roads and Infrastructure

Roads are the key infrastructure connecting Sikkim with the other part of the country. The state has a total length of 2,873 km with a road density of 41 km per 100 sq km (S-IBEF, 2010) and is maintained by the state Public Work Department (PWD) and the Border Road Organisation (BRO). Funding towards road infrastructure in the state are generally made under three heads, that is, the centre, state and increasingly today the financial institutions under externally aided projects.

Today the bank in collaboration with the state government in improving the connectivity of the road section in the state is playing an increasingly important role. The banks fund in this category includes the strengthening and up grading of the road in two section of the state in South district, that is, from Melli-Nayabazar (9.5kms), Project SK-01 and Nayabazar-Namchi (19.7kms), Project SK-02, with total of 29.2 km covered under the programme funded for the North Eastern States Road Investment Programme. The bank as such takes up on a view that a better connective via road is a major contributor to the state's economy and development, especially in the land locked and hill area like Sikkim's.

In assessing the banks project on road infrastructure in Sikkim, it is found that there exists a mixed response. While majority of the people hold that the construction of the road funded by the bank will have a positive impact, as in broadening the road and upgrading it will lessen the time for travelling, reduce traffic, improves connectivity, will led to increase in small shops and buildings, which in turn can help people generate income, there were many others, who were sceptical of such projects. This is more so in the case of the local people wherein project was being implemented.

Although the area in which the construction had been taking place is a forestland with little inhabitants, there were few places where there were sparsely located villages. The people residing in those area so pined that the slow pace with which the work was undertake had led to a lot of problems making it difficult for the people to reside in those areas. In addition to their being a trouble to travel, the increase in dust from the incomplete roads had emerged to be an important health hazard issue for the local people, especially the children's.

Even in this sector, little account of the local's participation and involvement was witnessed to be taken into consideration, both at the time of initiation and during the progress of the work. In case of the road section of project SK-01, local people suggested that the information regarding the project and its impact were not disclosed to them. It was only during the process of construction that the information about their section of the land to be included in the plan for up gradation and constructions was disclosed (field interview). According to them, many complaints were made from their side to the contractors, project leaders, local panchayat and the local MLA, but little response or intervention was taken from their side. This leads to the question of accountability, which in case of the operation of the bank and implementing unit stands to be clearly absent.

Apart from the absence of information, pending compensation and the initiation of the work without prior notice and participation of the people has led to resentment among the locals against the contractors and the bank in general. This has created a lot of problem for the construction to take place. For instance, one section of the road under progress, project SK-02 had to be completely stopped as a result of such protests. This will eventually lead to the slow progress of the work, which is likely to be completed within the stipulated time frame.

Further, it is also important to understand that the civil societies and the other local bodies like the Self-help group (SHGs) and community-based organisation (CBOs) in the state are not independent of the states intervention and increasingly today of the IFIs. Thus, in one of the case of the road project, that is, SK-02, a local civil society organisation named 'Purba Majigaon Sudhar Samity' (PMSS) in Nayabazar; is an organisation that has been playing a significant role in encouraging the people to allow the closed work to proceed, by convincing the locals about the advantages and the benefits that they can generate once the work is complete. Thus, the question of accountability becomes almost redundant when it comes to the state of Sikkim, wherein apart from the bank neither the state nor the civil societies are accountable to the people.

Table 9: Total Urban Population of Sikkim (1971-2011)

Year	North			West			South			East		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
1971	331	12683	13014	1096	56927	58023	1222	51963	53185	17019	68602	85621
1981	780	25675	26455	1697	73495	75192	5365	70011	75976	43242	95520	138762
1991	803	30437	31240	9762	96399	98161	2569	96035	98604	31872	146580	178452
2001	1248	39782	41030	1824	121432	123256	3946	127379	131525	53852	192188	245040
2011	4644	39065	43709	5248	131187	136435	21199	125651	146850	122487	161096	283583

Source: Sikkim, A Statistical Journal, (2013, Draft), Government of Sikkim, Department of Economics, Statistic, Monitoring and Evaluation

TABLE 10: ADB Programme for the Urban Development in Northeast Region, (NERCCDIP)

Sl.No	States	Tranche-1	Tranche-2	Tranche-3
1	Mizoram (Aizawal)	Water Supply	Water Supply and Solid Waste Management	Solid Waste Management and Sewerage and Sanitation
2	Meghalaya (Shillong)	Solid Waste Management	Solid Waste Management	Sewerage and Sanitation
3	Nagaland (Kohima)	Water Supply and Solid Waste Management	Solid Waste Management	Sewerage and Sanitation
4	Sikkim (Gangtok)	Water Supply	Water Supply and Solid Waste Management	Solid Waste Management and Sewerage and Sanitation
5	Tripura (Agartala)	Water Supply	Water Supply and Solid Waste Management	Solid Waste Management
6	Amount	205 Crore	543 Crore	623 Crore

Source: North Eastern Region Urban Development Programme, Ministry of Urban Development, Government of India

III) Urban Development

Sikkim among all the North Eastern states stands lowest in terms of urbanisation. Prior to its merger, the Bazaar department supervised the urban areas of the state. However, after merger, *Gangtok municipal Act 1975* was enacted which again in 1985 was abolished with maximum of the Acts power and duties transferred to the state. However, today Urban Development and Housing Department (UDHD) are responsible for most of the civic functions and urban services delivered to the citizens like, regulating urban affairs, demarcating urban areas, framing and implementing sanitary rules, removal of solid waste, providing street drainage, etc.

According to the bank there exists a co relation between urban development and economic development, and that in order to effectively implement its other projects and its overall economic strategy, urban centres in the region requires assistance both technically and financially (ADB, 2004).

The project funded by the bank in this sector is the project under NERCCDIP, Tranche-1, which is for the water supply in the area of Burtuk and Chandmari in East district. Although the project under Tranche 2 is in operation in the state, it is not included in the study as it is still in the initial phase with no impacts to be generated.

The problem of governance even in this sector persists with no participation and involvement of the people in the project implemented and the local people of the area. The scenario is very much the same like the other sectors in terms of employment opportunities, people's participation, problems unheard, mass dissatisfaction etc. One important aspect to be highlighted in this sector is, although the status of the work in the report submitted to the department of the Urban Development and the bank suggests it as 'completed', the work is only half-complete (field visit). Many of the work like the installation of the sets, construction of the tank and laying of the pipes are still in process. Further, the local people were of the opinion that the work in the construction sites was not done in a proper manner. This was the response to the building of the tank without proper structure built. The locals held that for these kinds of tanks the constructions had to start from below the ground level but what the contractors did was just built the structures from the ground. The locals feared that something unfortunate might happen then there is a high chance for at least four to five villages being destroyed. This clearly implies the unsustainable development

process that has been going on in the state with little consideration of the local people and the environment.

In addition, the people held that initially there were little people from the area who obtained water from the PHE department, as there were immense water supplies from different sources. However, gradually because of the diversion of the water sources to the main tank at water the treatment plant in Selep, there have been many cases of the drying up of these sources. The problem that has risen because of this is, now the locals in the area are made to pay for the water, which initially used to be free of cost and only the people who are able to pay are supplied with it. This as such exposes the pattern of governance disseminated by the bank and the private players, which are accountable only to those who can pay.

OBSERVATIONS FROM THE FIELD

The concept of governance disseminated by the bank as mentioned before revolves around the idea of participation, inclusion, accountability, and transparency at all levels, therefore analysing these factors in the context of ADBs operation in Sikkim becomes important.

I) Participation and Inclusion

Participation in a simple understanding is a process through which all members of a community or organization are involved in and have influence on decisions related to any activities that will affect them. Thus, participation and inclusion of the local people at all the levels, in the process of governance under any institution is considered to be the most important factor. Accordingly, the most cited and important criteria's of the ADB in its policy prescription is the participation of the local people in the projects funded by the bank. However, when it comes to Sikkim the involvement of the people at the grass root level is clearly found to be missing in its operations and functioning. To begin with, the local people in the project-implemented areas are not aware as to what ADB is; the general view was that the project or work under progress was governments, which only implies the exclusive nature and operating system of the bank. Not just the locals were unaware of their working but even some of the panchayat and local elected representatives were unaware of their plans and operations in their territories (panchayat). Out of almost

eight to ten project implemented in the region there was not even a single case wherein the local people's opinions, consultations and participations were taken into consideration, neither at the time of initiation nor when in progress. To make the matter worse the complaints of the locals were also unheard.

Further, IFIs ventures into any region or state with the stand that its main objective is to reduce poverty, create employment opportunity for people by creating jobs for them to help benefit the people in particular and the region in general. Inclusion thus, becomes an important criterion for these institutions. In the same vein, a loan covenant signed between the three parties i.e. ADB, GoI and GoS, states that, 'the priority work will be given to people from the area where the works are being implemented (Semi Annual Social safeguard Monitoring Report, 2014: 8). However, this statement seems adverse when it comes to Sikkim. No doubt the labours required for big projects are skilled labourer, which in Sikkim's case genuinely lacks, but what can be observed in general about the banks operation in the state is the marginalisation of local people even from the fronts where they can generate some benefits. Apart from the skilled labours, even for a simple works like carrying loads and labour works, maximum workers are being hired from the nearby regions. According to the people "the locals who are unemployed and have nothing do are not given any jobs, many confrontation regarding this has happened and has ended as bad as being thrown in the jail, this has happened many times and the people are tired of complaining and asking for jobs" (interview).

II) Accountability

The Organisation for Economic Cooperation and Development (OECD) uses the term 'governance' to describe how authority is distributed in the governmental system and how those who hold such authority are held to account. Thus, for the organisation 'accountability is the possibility to identify and hold public officials to account for their action' (OECD, 2005).

Accountability therefore, stands out to be one of the most important criteria's in the whole process of governance. Only when the regulating body is accountable to the people in general will it be able to garner the support of the larger mass. The IFIs today portray accountability to be one of the major reasons for the failure of the state

in delivering basic services to its citizens. It also is one of the important factors, with which these institutions ventures into any region for managing the opportunities and the responsibilities created by it.

This is also evident in case of the policy of the bank in collaboration with the state government wherein rehabilitation of the affected people in the project-implemented area forms an important part of the project. The covenants signed between the bank, GoI and GoS, states that, “ the state of Sikkim shall ensure that prior to land acquisition and any resettlement for the project, the resettlement plan, including its update based on the consensus of the affected person, is disclosed with all the necessary information made available to the person affected by the project” (SATIDP, Quarterly progress report, 2014: 21). It as such is a necessary condition for these institutions to inform the people about the project being undertaken and the consequences and the impact that it will have in the future. Again there is a covenant signed between the bank and the government which holds that the ‘state of Sikkim shall ensure that people affected by the project are fairly compensated in a timely manner with all the applicable laws of India and the state of Sikkim’ (Government of Sikkim, 2014: 21). However, this is not applicable in practice, neither the people are informed about the consequences of the project nor the compensations are disbursed in timely manner. In fact, in case of the road project, that is, project SK-02, even after sixteen months (20.03.13) of the initiation of the project the question of compensation to the affected people is still pending. Further, the question of accountability also comes to the forefront when the bank, private contractors and the state in general are reluctant to take into consideration the appeal of the local people affected by the project funded by the bank in the SK-01 road project.

III) Transparency

Article 19 of the United Nations Universal Declaration of Human Rights hold that, the right to access information held by public bodies is a fundamental human right, which guarantees individual the right to “seek, receive and impart information and ideas” (UDHR, 2008).The Article further state that this is equally applicable to intergovernmental organisations, just as it does at the national level (UDHR, 2008).

Thus, transparency in terms of conducting an affair and disclosing general information to the public, which implicitly or explicitly involve them, is an important criterion for the proper functioning and delivering proper result of governance in any given society. Lack of transparency coupled with corruptions in the state led model is sustained as one of the most important rationale by the private actors for the failure of the state led model. Thus, transparency in its working is one of the important base with which these institutions enters and operate in the region.

However, the study conducted for the purpose of this desertion found that neither the people are aware of the working of the bank nor adequate information are delivered to the people. Almost all the work under progress in the state are done in the clandestine fashion with very little information disclosed to the local people in particular and the larger public in general. The same can also be said in case of procurement and dissemination of information from the ADBs regional offices, which was very limited and inadequate

Further, the importance of transparency in the operation of the bank also becomes critical on the question of the proper utilisation of the fund. No doubt, the investments and sanctions by the bank are made in huge quantity as evident from the loans sanctioned, however, in ground very little of the amount utilised could be observed, this becomes even more evident in case of the funds utilised for the village tourism. Further, the statement of the local people about 'nothing is as it is promised when the scheme was conceptualised' (that is, the blueprint of the work before the project was initiated promised not just the up gradation of the road but also beautification and many other facilities. However, now the construction is just limited to the up gradation of the road) (Damthang road project, field visit), gives enough insight on the improper utilisation of the funds and the transparency with which the bank and the implementing units has operating in the state.

IV) Role of Civil Society in Sikkim

Civil society in contemporary times has emerged to be one of the most important actors in terms of its active participation and the reach with which it has been proliferating. These actors have been playing an important role in terms of voicing the needy and concerned in the areas, which the state as an actor failed to address. It

today covers a wide range of areas like human right issues, environment, new social movements, etc, which makes its presence all the more encompassive, prominent and contemporary.

However, there have come to a limelight a number of evidences of increasingly subversive role played by these actors, which goes adverse to the functioning of roles that they are to perform. Government sponsored NGOs also known as the 'GONGOs' has today become a known fact. These are the NGOs, which the state directly contract for the works that the state prefer not to organise directly, that is, these organisation use the appearance of independence to promote the goal of their states (Halliday, 2000). Apart from this, there have been an increasing number of cases wherein these institutions are being subsumed under the larger neo liberal paradigm thus, helping the institutions and the actors that disseminate it to further legitimise their hold and power in a region or a state.

When it comes to Sikkim, although the state government since the time of its formation of the government has emphasised on the importance of the role of civil society for the proper functioning of the state, very little initiative for it was actually taken into consideration. In fact, those, which emerged, were also not independent of the states interventions. Even today, civil societies and the other local bodies like the Self-help groups (SHGs) and community-based organisation (CBOs) are subsumed under state policy with very little independence on its side.

Taking into consideration the increasing role played by the IFIs and bank in the state, there has come up cases wherein apart from the state even these institutions have started playing an important role in influencing these bodies to come in terms with them and help them voice their influences. Many of the important civil societies of the state like, Eco-Tourism and Conservation Society of Sikkim (ECOSS) in Gangtok and Kanchendzonga Conservation Committee (KCC) in Yuksom, and their extensions in the other districts are increasingly being subsumed under the new pattern of governance disseminated by these institution and bank in particular. Thus, what can be witnessed is the collaboration of the states NGOs with this institution in further legitimising their holds and actions. The example of this can be taken of ECOSS, which is increasingly seen to be working in partnership with the bank for its projects

in urban development and village tourism and KCC in collaboration with JICA in the tourism sector. Thus, the question of civil society organisation playing an independent role in voicing the poor and the needy becomes all most redundant when we take Sikkim as an example wherein apart from the state even non-state actors are increasingly being subsumed under the pattern of governance disseminated by these institutions.

Therefore, taking up all the above arguments it is apparent that the pattern of governance disseminated by the bank is largely exclusive, unaccountable and undemocratic, including only few in the decision-making procedure, that affects many. Further, it is also evident that there is legitimisation of the pattern of development, which mostly caters to the benefit of the private players and the bureaucrats. Therefore, what can be observed in the process is the marginalisation of large section of the population in the decision-making process, governance and development of the state.

CHAPTER - V

CONCLUSION

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CONCLUSION

Governance in contemporary time as evident from the previous chapters has emerged as one of the most important and debated concept not just in the field of international relations but also in many other disciplines. With the emergence of various actors, the idea underwent a significant amount of change in its usage making it all the more encompassive, significant and at the same time contentious. International Financial Institutions in this regard have emerged as one of the most important actors taking forward the idea of governance to an entirely different level. Thus, governance, which traditionally was the sole responsibility of the state, with the emergence of these institutions, began to be replaced bringing about a change in the entire process of governance of the state or region.

However, there has been a significant amount of debate about this new form of governance disseminated by these institutions, the evidences of which have been provided throughout the study. Despite their stated policies and programmes of bringing positive change and development in the concerned states or region that these institutions are operating, they are however subjected to adverse criticism. While governance seems to be the catch phrase of institutions like IMF, WB and ADB, their functioning often lack transparency. In other world lack governance.

Similarly, the ADB as a financial institution offers financial assistance to the countries for various developmental initiatives but it would be difficult to believe in their argument that they are only bankers providing financial assistance to governmental proposals for variety of sectors. Almost from the outset, this institution provides the legitimisation of a particular set of developmental priorities with a view to integrate the region into a pattern of economic development that largely benefits a narrow band of actors and their interests. Thus according to Kate Jenkins and Plowden, the activities of these institutions today occupies a major sector of the global 'aid industry', a multinational undertaking which has acquired a momentum, a rational and interest of its own which are only partly congruent with the interest of its client (Jenkins, Plowden, 2006)

One important thing to consider in the debate about the IFIs is although these institutions make a lot of investment in a region one of the important reasons for these institutions to be unsuccessful in their objective is that they take little account of the local conditions or the environment in which they try to introduce changes. These institutions as such rests on over optimistic assumptions about the ability of the institutions to influence the people with the model that has proved to be successful else-where thus resulting much of these intervention and involvement to be chaotic and sometime hazardous. Thus, to quote Joseph Stiglitz, "underlying the problem of the IMF and the other international institutions is the problem of governance; these institutions are not representative of the nation they serve" (Stiglitz, 2002: 17)

Thus, it is evident that the pattern of governance and the institutions that legitimise it become very important in the progress and development of any state or region and this when we take northeast as an example becomes all the more pertinent. The pattern of governance in the northeast as evident from chapter 3 has undergone a series of transformation with the coming of ADB and other international financial institutions and aid programme. Local bodies and traditional system of governance are being sideline, while new form of governance that is alien to the region is adapted. What one can witness therefore, are large-scale operations of projects funded and approved by these institutions which are time consuming, have adverse effect on the environment and ecology, and encourages corruption.

While the bank mandate is to promote good governance in developing countries through transparency, accountability and democratic participation, at the ground level most of the bank functioning are undemocratic, lack information and accountability. In the case of both Northeast and Sikkim, one can observe how people at local level are being denied of taking part in decision making of the project being undertaken. Thus, today there is an increasing demand from the people for the governance disseminated by these institutions to be dismantled, with a call for the creation of an institution of governance, which catered more to the need, and demand of the people and environment of the region (Wangkheirakpam and Yumnam, 2006).

Same can be observed in case of Sikkim, wherein the governments push for the development of the state has led to an increasingly dominant role played by these institutions in general and bank in particular. However, the local people in general

like in other states of northeast region seemed discontented with more of complaints and dissatisfaction. This leads us to the opinion of the impact that the bank has had in case of Sikkim.

What could be generated most importantly from the field visit was the way the bank operated in the state. Apart from the government officials of certain departments, private contractors and few people, large section of the population were excluded from the development process, which was initiated in the first place to help benefit the locals in general. Thus, the first impact that the bank has had in the state is the marginalisation of a large section of population from the governance and development process of the state, with benefits only to few.

The Government's partnership with the bank for the development of the state has gives the bank an immense upper hand in dictating the rules and conditions for the state. This is also evident from the clause maintained by the bank wherein it is stated that, "the state of Sikkim shall carry out the project in accordance with the plans, designs standards, specification, work schedules and construction methods acceptable to the bank"(ADB, 2014: 23). This clearly indicates the banks policies and practices that limits and constrains the capacity of the government and its working. Thus, what could be observed in the process is the undermining of the role of the state and the community in the area of the decision-making process and the governance of the state.

Furthermore, what could also be observed is the increasing diffusion of the power and functions of the state and the local bodies to the private actors in general and bank in particular. Today the bank covers almost all the areas, which initially was in the purview of the state and the local body. Further, from the study undertaken it was also evident that the local people in general are dissatisfied with the panchayats and the governing bodies as they held the view that the panchayats were more interested in their personal benefits than the people in general. These local bodies were further accused of not supporting the people in terms of considering their pleas and demands and helping the bank and the private contractors in legitimising their actions. This implies how these local institutions of governance are gradually being subsumed under the larger governing process of IFIs. Therefore, what could be observed is the change in the governing pattern of the local institutions with most of its initial power and function being disbursed to other channels. This process therefore, has

undermined the role of the state and the community in the areas of local governance in a very significant manner.

Apart from this, even in case of Sikkim, like in the other region of northeast we could witness the legitimisation of development process, which largely encouraged the private player to play a dominant role and encourage privatisation. The opinion of the people about the diversion of the water sources to the main tank and distributing the same to the people on payment explains the fact on how natural resources of the state are increasingly being commercialised.

Further, the slow pace with which the works had been carried in and around the state has led to the questioning of the efficiency and potential of the bank in management and governance of the state. Almost all the work initiated in the state were behind the stipulated time with very slow progress and the ones that had been completed were already showing signs for repairment's as in case of the frequent bursting of the pipes and the damaged road from the road section in Damthang.

Another important aspect to be considered is, although unheard a lot of resentment and resistance in and around the states had surfaced against the working and the operation of the bank, which somehow were subsumed or were not able to surface to attract the attention of the people. This reveals the support of the state and its institutions like media and the local institutions to allow these actors to continue doing their jobs. Thus, what could be witness in the process is the partnership of the states bureaucrats, civil society and the bank in legitimising a new pattern of governance, which largely excludes the majority of population.

Therefore, it is apparent that the impact that the bank has had in the state in is mostly negative, exclusive and undemocratic with large-scale marginalisation of the population in the governing and the development process with benefits only to few.

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