Preface

My interest in institutions and governance dates back to my student days. The year was 1975. Mrs Indira Gandhi, then Prime Minister of India, had been indicted by the High Court for corrupt electoral practices. Rather than accept the court's decision, to save her position she declared a State of Emergency in the country and suspended the Constitution. There were many who opposed this abrogation of democracy in India. They protested, and tens of thousands were thrown into jail. Others, like me, formed networks with other democratically minded forces and continued to fight the regime. I became the editor of an underground weekly called *Democracy*. It had a circulation of a thousand. In 1977 new elections were called. By now, the people had observed the regime's dictatorial ways, they were mobilized, and the authoritarian forces suffered an overwhelming defeat. In an historical sense, this episode strengthened the foundations of India's democratic system. It taught the ruling elites and the political class a lesson. Since then, no political leader has made any fundamental challenge to the rule of law or the Constitution of the country. It was my first experience with activism, democracy and governance.

After a brief stint as an adviser to the government of India, I drifted into the United Nations' system in 1980, first working for the United Nations Conference on Trade and Development (UNCTAD) and then for various UN agencies, including the United Nations Development Programme (UNDP). Thus commenced my second experience with institutions and governance. As a development practitioner and aid manager this time around, however, I came to see more clearly the relationship between these variables and economic development. Having been taught the theories of post-war development economics at university, I was initially thrilled to be part of the great transfer of resources from the rich to poor countries, a transfer that many of us believed would address the problems of poverty and economic growth. However, I was in for a rude awakening. The 20 years that I spent in Africa and Asia managing technical assistance programmes, assisting countries to formulate their development plans and coordinate their external assistance flows, designing, reviewing and evaluating aid programmes, opened my eyes to the realities of aid and development.

I found that most of the governments I worked with had no serious commitment to economic development or poverty reduction. Of course, lip service was paid to these ideas, but this was because of political expediency and ideological

correctness. There were people with noble motives and lofty ideals. However, the primary interests of most politicians and bureaucrats who I dealt with lay in perpetuating their own power and wealth. Corruption was not only commonplace in these governments, but there was a tacit acceptance of its necessity as part of the system. In political economy terms, it seemed to me that the ruling elites in many of these countries were nothing less than a predatory group, whose interests certainly did not lie in improving the conditions of the poor. On the other hand, officials of the international donor community were a confused lot. It was never quite clear to them whether they should be serving the interests of their employers, their own personal interests, the perceived interests of the government they were supposed to be working with, or the people of the country in which their aid programmes were being implemented. As I saw it, conflicts between all these objectives rendered them ineffective as a force that could foster economic progress and reform.

So, after 20 years of field experience, I found that governments who were presumed to play a central role in the economic development of their countries did not, in fact, have much interest in this cause. And aid flows, which were viewed as a panacea for the problems of underdevelopment, in fact made little contribution to this grand objective. It was evident to me by now that my years of development practice conflicted strongly with the generally held theories of development and the strategies being followed by the international financial institutions. This dissatisfaction forced me into four years of more intensive research, culminating in several very fruitful periods of study as a Visiting Fellow at the International Development Centre, Queen Elizabeth House, University of Oxford, between 2002 and 2004. Fortunately, by now, my years as an international civil servant and highly paid economic consultant had enabled me to gather enough resources to fund my own research programme.

This study, therefore, is a product of my own personal experiences and an effort to formalize these experiences within an academic framework. During my research, I discovered that the recent empirical and theoretical literature in development economics confirmed on a global scale what I had found in my own microcosmic experience. It also became evident to me that current strategies of aid and development, as well as popular perceptions of development, had lagged behind what the new evidence was telling us. Thus, I felt there was a need for a new study to integrate my own insights about the relationship between aid, institutions and governance with the academic literature on this subject. It is my belief that the measures being proposed here to restructure the content and management of aid are based on a realistic assessment of what is necessary and feasible given the imperatives of globalization and its effects on the international political environment. They are neither neo-colonialist nor utopian. There is much talk today about the unilateralism of the few versus the multilateralism of the many. My study suggests that if we wish aid flows and

other forms of multilateralism to succeed, they can no longer be grounded in principles that were relevant to a bygone era. Rather, they need to be based on the realities of the twenty-first century.

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