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Investing in Governance Infrastructure in Asia : Vision for a Post-Pandemic Future

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Introduction

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- It is a fruitful time to re-assess development policy priorities
- For an organization such as the ADB, the question is which areas to focus on in the next decade
- In this lecture, I shall suggest areas where external assistance is likely to be most beneficial, based on recent research findings

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- **Notion of Infrastructure:**
 - Wider than physical infrastructure? Include human capital investments? Social protection mechanisms? (Witness debates in the US between rival political parties)
- **Process of Investing in Infrastructure:**
 - Investments are ultimately implemented by host country governments
 - Information and accountability mechanisms of governance determine actual investments and their effectiveness

Investing in Governance Infrastructure

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- Which in turn determines actual investments in physical and social infrastructure and how effective they are

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- Which in turn determines actual investments in physical and social infrastructure and how effective they are
- I suggest specific programs in four different areas
 - agriculture
 - social protection
 - urban governance
 - sustainable development

Qualifications

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- Almost everyone else here has more practical, on-the-ground experience than me
- My research and observations are largely based on India, China and other countries in the South Asia region

1A. Agricultural Land Records

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- Computerized records should be accurate, tamper-proof, instantly accessible by multiple users

1A. Agricultural Land Records, contd.

- Ease of access and credibility of information promotes *market efficiency*: by reducing corruption, conflict, enhancing property rights, activating land markets, and credit access based on land collateral

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- **Need for:** *diffusion of best practices and assistance in modernizing land records*

1B. Agricultural R&D and Extension Services:

- Rice yields in PRC are at least twice as high as India, mainly owing to its successful R&D program in hybrid rice going back to mid-1960s (Khush 2013, Singh et al 2015)
- Single most important source of differences in agricultural productivity in rice-growing areas within PRC (Yu 2012)

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- **Need for:** *Asia-wide initiative for coordinating agricultural research and diffusion efforts*

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- Growth and equity requires suitable investments in human capital by households vulnerable to poverty and risk (growing evidence of importance of early childhood investments in maternal care, child nutrition, learning)
- Covid-19 pandemic and key problem of *contagion* highlights the need for equalizing access to public health information and services to all sections of society
- However, key problem of **targeting** of anti-poverty and social protection mechanisms

2. Anti-Poverty and Social Protection Mechanisms, contd.

- Existing mechanisms in many Asian countries are beset with 3C problems:
 - **corruption** (Indonesia (Olken 2007))
 - **capture** (Thailand (Vera Cossio 2020))
 - **clientelism** (India (Bardhan et al 2020)) and vote-buying (Philippines (Khemani 2015))

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- Key difficulty arises from:
 - **lack of reliable information system** regarding distribution of actual need across local areas and households, implying formula based transfers would not target effectively (Mookherjee-Nath 2020)
 - **financial exclusion** of vulnerable groups that bypass intermediaries (making direct transfers infeasible)

2A. 'Need' Information Systems and Financial Development

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- **Need for:** (a) *Reliable information system regarding assets and needs of households and local areas;* (b) *spread of financial literacy and access to mobile or bank-based direct transfers*

2B. Migrant Workers: Nation-wide Identification and Entitlement Mechanisms

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- Owing to lack of access to health and social protection for migrants in cities
- Reflects big gap in identification and entitlement mechanisms which are based on principal residence of households
- Provision of temporary shelter and transport back was a major logistical problem for governments
- Also contributed to spread of the disease to rural areas

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- **Need for:** (a) *nationwide identification and social protection programs* (b) *job market information and matching with potential employers* (c) *subsidized Decentralized Urban Employment and Training (DUET) programs* (Dreze 2020)

3. Urban Governance

- Faster rates of urbanization and industrialization in PRC compared to India associated with large differences in spending on urban infrastructure (over 4% of GDP versus less than 1%) and corresponding nature of city government, specifically:
 - *Fiscal Capacity and Autonomy*: high and increasing reliance on local taxes and extra budgetary financing mechanisms (rather than grants from upper tiers of government) (Song 2013)

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 - *Organizational effectiveness*: appears to be lower in India, owing to multiplicity of (local-state-national-parastatal) government agencies involved with overlapping jurisdictions (Banerji et al 2013)
 - *Leader Selection and Accountability*: performance-driven selection and promotion mechanisms for city mayors in PRC (Yao and Zhang 2015, Chen, Li and Yu 2018)
- However, more systematic research and policy experimentation is needed

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- **Need for:** research, advice, diffusion of best practices for urban governance:
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- *Enhancing Organizational Effectiveness:* limiting multiplicity of principals, redesigning allocation of responsibilities
- *Enhancing Accountability of Leaders:* oversight and information mechanisms (e.g., utility regulators, citizen councils, citizen report cards)

4. Sustainable Development

- Growing problems of pollution, environmental degradation and climate change
- **Need for:**
 - *Enhanced control mechanisms:* for air and water pollution, requiring pollution measurement and enforcement mechanisms (e.g., third party audits (India; Greenstone et al 2013)), citizen complaints via social media (PRC; Buntaine et al 2021)

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 - *Restricting Coastal Damage and Enhanced Adaptation mechanisms:* restoration of coasts, reefs and mangroves; crop and livelihood adaptation to rising sea water levels; resettlement of vulnerable coastal communities

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- ADB may already have many ongoing programs in these areas, which ought to be renewed
- And in areas that are not currently covered, I hope you will consider including these
- Thank you very much for your attention!