The World Bank in India

Undermining Sovereignty, Distorting Development

Edited by

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&
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Orient BlackSwan

THE WORLD BANK IN INDIA

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This book is dedicated to all people who have and are suffering under the unjust system of neo-liberal development championed by the World Bank and other development agencies. It is also dedicated to our dear friend Smitu Kothari who devoted his life to creating a socially just alternative.

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Preface

About the Independent People's Tribunal on the World Bank

DEEPIKA D'SOUZA

The material for this book emerged from a two-year process which culminated in the organisation of the first national 'Independent People's Tribunal on the Impact of the World Bank Group in India'. The event was held in New Delhi from 21–24 September 2007 on the campus of Jawaharlal Nehru University (JNU). The Tribunal was hosted by the Jawaharlal Nehru University Teacher's Association and the Student's Union. It was jointly organised by over 40 mass organisations and groups.[1] Over 150 people presented testimonies regarding the results of World Bank involvement in India, 200 students volunteered their time to make the event happen, 13 people from India and abroad sat on the Jury[2] and over 700 people attended.

What is a People's Tribunal?

India has had a long history of using the concept of 'People's Tribunals' or 'People's Courts' as a mechanism to highlight an issue, to generate widespread public debate and often to propose alternatives. Examples of tribunals in recent history have been on the massacre and forced displacement in Nandigram (West Bengal) for the enrichment of corporations via special economic zones (SEZs), on state violence against Muslims under the guise of 'anti-terrorism' activities, on starvation deaths, and many other tragedies. The structure of a tribunal usually comprises:

1. *Those affected by the issue*: They organise the tribunal, decide the terms of reference, the issues to be investigated, and the scope and range of the investigation.

2. *Additional group(s) of organisers*: These organisers may offer supplementary help to the affected group organising the tribunal. In cases where it is not possible for those directly affected by the issue at hand to organise (because they cannot leave their land for fear of eviction, for example), this group may be the primary organiser of the event.
3. *The Jury*: Usually comprises retired judges and other persons of social stature. They listen to the testimonies given on the topic and examine any secondary information or related documents. The jury is responsible for rendering a judgement. This usually takes the form of a report, which is used by the people to lobby for the desired change. Sometimes the material is used as the basis for a public interest or class action court case.
4. *The Secretariat*: In a very large tribunal process, as in the current case, there may be a central committee that manages the overall event, providing coordination between various groups involved.

People's tribunals are a good way to organise around an issue, awaken social conscience and mobilise public opinion. Tribunals can be organised at a local, regional or national level. In countries like India where the vulnerable and the poor are given little or no space to influence public policies that impact their lives, these groups can take their struggle and their campaign to a wider audience through well-publicised public hearings. The jury members, through their social stature, can sometimes exert pressure on the ruling government into taking action on issues that it would otherwise conveniently choose to ignore or silence.

In the current economic and political context, groups across the country decided to discuss the impact of neo-liberal policies on India's citizens (particularly the poor) and on the environment. Many of these policies have been promoted by the World Bank. In fact, the World Bank is often proud to cite India as an example of how successful these policies have been. India is also one of the Bank's largest borrowers, and currently the country's core government leadership comprises many ex-Bank officials and bureaucrats who endorse and believe in the neo-liberal model of development.

It was with this in mind that several groups came together to monitor the World Bank's functioning in India, particularly in regard to its Country Assistance Strategy, and to review its social and environmental standards. In October 2005 at the National Consultation on 'Housing and the Urban Poor' held in Mumbai, where over 200 mass organisations and people's groups participated, a call was issued to launch an 'Independent People's Tribunal on the World Bank Group in India'.

The purpose behind the Tribunal was to provide a just and unbiased forum for people who have faced the impact of projects and policies funded or promoted by the World Bank Group. The Tribunal was an opportunity to express their grievances and propose alternatives.

In order to formalise the process and capture people's foremost concerns regarding World Bank programmes across sectors and states, hundreds of consultations were held with groups, individuals and organisations in various parts of the country. Consultations were held in the two-year preparatory period, primarily in states where the World Bank has played or is playing an active role; for example, Uttar Pradesh, Orissa, Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu and Kerala. The Tribunal was also discussed in many national forums and conventions including the Indian Social Forum (Delhi, November 2006), Jan Swasthiya Abhiyan (Bhopal, March 2007) and the National Right to Food Convention (Gaya, April 2007). A meeting with like-minded groups was also organised by the Bank Information Centre in June 2006 in Washington DC, followed by separate meetings with individuals and groups who have been tracking the Bank's activities over the last few decades. Finally, two national preparatory and strategy meetings were held in Delhi (September 2006 and June 2007) with groups and movements from across the country to finalise the scope and structure of the Tribunal.

Tribunal: Focus and Structure

This Tribunal focused primarily on the working of the World Bank Group, as it is the largest and most influential of the international financial institutes (IFIs) in India. The Asian Development Bank (ADB) is also of great concern and it was long debated whether or not to include the ADB in the Tribunal's scope. However, since World Bank's activities are in themselves so vast in India, and since it has a direct influence on the policies of the ADB, it was decided that the focus would remain solely on the World Bank and that other Tribunals could follow. The process did attempt to expose the nature and degree of coordination between the World Bank Group and other IFIs such as the ADB and the International Monetary Fund (IMF).

This was the first people's Tribunal of its kind which examined:

- A broad range of sectoral and regional impacts of World Bank projects in India with particular emphasis on vulnerable communities (including women, children, Dalits, *adivasi*s, workers, fisher folk and farmers).
- The impact of World Bank loan policies on the sovereignty of the country and the extent its involvement in India's policy-making and legislation.
- The 'revolving door': a process of personnel exchange between the World Bank and government agencies which creates a conflict of interest in Indian policy-making.
- The results of World Bank policies on basic rights to food, water, health and education.
- The success of the Bank's mandate for reducing poverty.

The Tribunal undertook a large-scale enquiry into almost all the areas of World Bank engagement in India from water to agriculture to environment. In states where the Bank has directed structural adjustment programmes (such as Andhra Pradesh and Karnataka), state-specific sessions were held. Many presentations looked at the mechanisms of World Bank power including the conditionalities it imposes and its role in the production of development knowledge.

The Tribunal on the World Bank Group and its allies was a collective process that was guided by key organisations and individuals across the country. Support was provided by the following groups:

- *Convenors*: Key groups/grassroots organisations and movements who played the most critical role in the process by organising nationally around a sector or region. They assisted a larger set of participant groups in mobilising people, putting together the testimonies and presentations, and in selecting the projects to be profiled.
- *Advisors*: Individuals with expertise in a particular field, who guided, helped with the research and direction the Tribunal would take. The advisors also provided an overview for sectoral or regional presentations.
- *Endorsing Organisations*: Large spectrum of national and international organisations who endorsed and supported the process.
- *Secretariat*: Organisers who coordinated the process, reached out to the various groups and acted as the bridge between the participating groups and individuals. The Secretariat also provided administrative and logistic support, assisted with research and organised media campaigns.
- *Jury*: A 13 member panel of prominent individuals jointly selected by the convenors, advisors and secretariat. The jury sat through four days of presentations and testimonies and rendered a judgement. The 'Findings of the Jury' can be found at the end of this book.

As part of the Tribunal process, over 60 invitations were sent to relevant governmental departments and ministries (including the Ministry of Economic Affairs, the Ministry of Finance and the Planning Commission). Invitations were also sent to the World Bank headquarters in Washington DC and its India country office in Delhi. However, none of the government representatives chose to participate in spite of the event being held in the capital of the country where their departments are situated. The World Bank initially agreed to attend and came daily to collect from the organisers all the evidence that had been presented to enable them to structure their response on the final day.

A daily dossier of all the testimonies, expert presentations and overview papers were given to the Bank's India office by the Secretariat. However, at the last moment the Bank announced their decision not to participate and published a statement and a rebuttal on their website on the final day of the event. This rebuttal remained on the World Bank's India country home page for some time and was soon updated with the minutes of meetings held with a dozen civil society organisations that sought to demonstrate the World Bank's collaboration with local groups. While the statement is still available on the World Bank's website, the rebuttal appears to have been removed. Later correspondence from the Bank acknowledged receipt of the Findings of the Jury included in this collection.

Outcomes and Significance of the Process

The outcome of the process is best viewed in the context of Findings of the Jury, which have been published as the conclusion of this book. In summary, the testimonies and supporting information led the jury to file 29 charges, identifying ways in which the Bank's programmes have negatively impacted the people of India.

The Tribunal provided a national analysis of the impact of neo-liberal policies through the lens of World Bank activities. It presented a broad overview in each sector of the real impacts of these activities and gave affected people and concerned citizens an opportunity to voice their grievances in a national forum.

In addition to amassing extensive evidence against the Bank in terms of its failure in meeting its country mission, additional outcomes are listed in the following.

The Tribunal provided a space for dialogue and learning. For example, organisers around issues of urban development knew about the Bank's intervention in the urban centres but may have been unaware of exactly how the Bank had changed health and education policies, policies which also affect the poor. Similarly, groups in Kerala and the North-East, which are relatively new areas to receive World Bank funding, listened with interest to the after-effects of the World Bank policies and projects in Andhra Pradesh and Karnataka. Many seasoned activists were unaware of some of the impacts of the Bank as it often operates behind the scenes in an opaque manner.

The Tribunal also exposed the close link between the Bank, Indian Government bureaucrats and external development consultants such as Price Waterhouse Coopers and McKinsey, which was picked up by the Indian media immediately following the Tribunal. The Bank has often been known to wash its hands of failed policies, claiming that the Indian government was responsible. However, the existence of the Revolving Door makes it possible for the Bank to trigger widespread policy changes without being publicly linked with the change.

We found out in the presentation on information disclosure that it is easier to access information about projects and policies from the Government of India through the Right to Information (RTI) Act than from the Bank. Several activists and experts presented that though the Bank claims to be open and transparent, its disclosure laws make accessing information a Herculean task. And even communities and groups that have used the Bank's own inspection panels and other redressal mechanisms have failed to get justice. We have been told through personal contacts that the Bank is revising its disclosure policy based on ideas presented at this forum.

Another outcome of the process was the networking achieved by many of the groups involved. Never before have such a widespread cross-section of groups and organisations come together to discuss the World Bank's impact on India. Groups involved in organising the event consisted of trade unions, teachers, health activists, indigenous people, students, Dalits, farmers, urban poor, academics, lawyers and writers. There was also good regional representation of people from across the country. Finally, the active involvement of the Jawaharlal Nehru Students' Union and students from over 10 colleges in the capital created an ongoing discussion about development policies among Delhi's youth.

Over 100 students assisted in creating art and installations for the Tribunal, organised the simultaneous translation of the presentations into local languages; curated a parallel film and cultural festival; and assisted with the logistics, food and transport of participants and the jury. The tribunal also had late evening sessions to discuss and propose alternatives to the current development model. These sessions were well attended and generated a vociferous debate among the students.

It was not possible to include all the presentations and issues in this volume but all the material that came out of the Tribunal is being made available in text, audio and video formats on the Tribunal's website (www.worldbanktribunal.org).

The tribunal process was successful in adding to the debate on the World Bank and its undue influence on the policies of developing countries, and we hope that this book will further that debate.

The Indian tribunal inspired similar processes in the Netherlands, Bangladesh and Pakistan.

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We would like to thank all the contributors for their active role in making the Tribunal and this volume possible. This volume is the direct result of the World Bank Tribunal in Delhi 2007 and would not have been possible without every individual who participated at that forum. Many speakers' presentations at the Tribunal are not included here due to issues of space, but have greatly influenced the conceptualisation and organisation of this volume. A full report of the Tribunal, which covers far more than was possible to include in this small volume, is available online.

The jury, organisers, advisors and working group to the process are too many to list here but each was essential to making the Tribunal happen, which for so long seemed an insurmountable task. We would like to thank our friends at the Green Grants Foundation, Zindabad Trust, Bank Information Centre, Environmental Defence, Misereor International and INSAF for their generous financial support.

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Abbreviations

AAA	Analytical Advisory Assistance
AAIFR	Appellate Authority for Industrial & Financial Reconstruction
AAY	Antyodya Anna Yojana
ADB	Asian Development Bank
APC	Agriculture Prices Commission
APERP	Andhra Pradesh Economic Restructuring Project
APL	above the poverty line
APMC	Agriculture Produce Marketing Committee
APRP	Andhra Pradesh Economic Restructuring Project
APSRP	Andhra Pradesh Power Sector Restructuring Project
ATMA	Agricultural Technology Management Agency
BATF	Bangalore Agenda Task Force
BE	budgetary expenditure
BIFR	Board for Industrial and Financial Reconstruction
BJP	Bharatiya Janata Party
BOT	Build Own Transfer
BPL	below the poverty line
BPL	below the poverty line
BPO	business process outsourcing
BSES	Bombay Suburban Electricity Supply
BWIs	Bretton Woods Institutions
BWSSB	Bangalore Water Supply and Sewerage Board
CACP	Commission for Agriculture Costs and Prices
CAG	Comptroller and Auditor General
CAO	Compliance Advisor Ombudsman

CARE	Credit Analysis and Research Limited
CAS	Country Assistance Strategies
CASS	Chotanagpur Adivasi Sewa Samiti
CBA	cost-benefit analysis
CBOs	community based organizations
CCGT	Combined Cycle Gas Turbines
CCL	Central Coalfields Limited
CDPs	City Development Plans
CEA	Country Environment Assistance
CEPF	Critical Ecosystem Partnership Fund
CERs	Carbon Emission Ratios
CESCO	Central Electricity Supply Corporation of Orissa
CETPs	Central Effluent Treatment Plants
CFM	Community Forest Management
CGAP	Consultative Group to Assist the Poor
CGIAR	Consultative Group on International Agricultural Research
CIDA	Canadian International Development Agency
CIF	Community Investment Fund
CIL	Coal India Limited
CMC	City Municipal Council
CMDA	Chennai Metropolitan Development Authority
CMZ	Coastal Management Zone
CNTA	Chhotanagpur Tenancy Act
COGA	Ceiling on Government Guarantees Act
CPI-M	Communist Party of India, Marxist
CRISIL	Credit Rating and Information Services of India Ltd
CRZ	Coastal Regulation Zone
CSESMP	Coal Sector Environmental and Social Mitigation Project
CSIR	Council of Scientific and Industrial Research
CSRP	Coal Sector Rehabilitation Project
DDT	dichloro diphenyl trichloroethane
DEC	Development Economics Vice Presidency
DfID	Department for International Development
DGF	Development Grant Facility
DIET	District Institutes of Education and Training
DJB	Delhi Jal Board
DPEP	District Primary Education Programme
DSM	demand side management
EA	Environmental Assessment
EAPs	environmental adjustment policies
EC	Environmental Clearance
EDCs	eco-development committees
EFA	Education For All

EIA	Environmental Impact Assessment
EMCB	Environment Management Capacity Building
EMPs	Environmental Management Plans
ERM	Environmental Resource Management
ERP	Environmental Research Program
ESIA	Environment and Social Impact Assessment
ESSD	Environmentally and Socially Sustainable Development
ETRP	Emergency Tsunami Reconstruction Project
EXIM	Export-Import
FCI	Food Corporation of India
FCRA	Foreign Contribution Regulation Act
FDI	foreign direct investment
FERA	foreign exchange regulations
FIAN	FoodFirst Information and Action Network
FII	foreign institutional investment
FMIS	financial management information systems
FRBM	Fiscal Responsibility and Budgetary Management
GAP	Government Accountability Project (
GATS	General Agreement on Trade in Services,
GATT	General Agreement on Tariffs and Trade
GBWASP	Greater Bangalore Water Supply and Sanitation Project
GDLN	Global Development Learning Network
GDP	gross domestic product
GEF	Global Environment Facility,
GNP	gross national product
GoI	Government of India
GoO	Government of Orissa
GoTN	Government of Tamil Nadu
GRIDCO	Grid Corporation of Orissa Ltd
GSDP	gross state domestic product
HC	High Court
HRD	Ministry of Human Resource Development
HSDPs	Health Sector Development Projects
HYVs	high yielding varieties
IAS	Indian Administrative Service
IASC	Inter-Agency Standing Committee
IBRD	International Bank for Reconstruction and Development
ICAR	Indian Council of Agricultural Research
ICDS	Integrated Child Development Services
ICMAMPs	Integrated Coastal Marine Area Management Plans
ICRA	International Credit Rating Agency
ICSID	International Center for Settlement of Investment Disputes
ICZM	Integrated Costal Zone Management

ICZMP	Integrated Coastal Zone Management Plan
IDA	International Development Association
IDs	Institutional Deliveries
IFA	Industries Facilitation Act
IFC	International Finance Corporation
IFIs	international financial institutions
IIM	Indian Institutes of Management
IIT	Indian Institutes of Technology
IKP	Indira Kranti Patham
ILO	International Labour Organization
IMF	International Monetary Fund
INT	Department of Institutional Integrity
IPDP	Indigenous People's Development Programmes
IPM	Integrated Pest Management
IPPs	independent power projects
IPR	intellectual property right
IT	information technology
ITeS	information technology enabled services
IUCN	International Union for Conservation of Nature
JBIC	Japan Bank for International Cooperation
JFM	Joint Forest Management
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
JNU	JawaharlalNehru University
JRMs	Joint Review Missions
KEB	Karnataka Electricity Board
KERL	Karnataka Economic Restructuring Loans
KFRA	Karnataka Fiscal Responsibility Act
KIA	Knowledge Initiative on Agriculture
KMRP	Karnataka Municipal Reforms Project
KTPP	Karnataka Transparency in Public Procurement Act
KUIDFC	Karnataka Urban Infrastructure Development and Finance Cooperation
KUWASIP	Karnataka Urban Water Sector Improvement Project
LPG	liberalisation,privatisation and globalisation
MCGM	Municipal Corporation of Greater Mumbai
MDGs	Millennium Development Goals
MGP	Modernising Government Programme
MIGA	Multilateral Investment Guarantee Agency
MIT	Massachuchette Institute of Technology
MLL	Minimum Levels of Learning
MNCs	multinational corporations
MoEF	Ministry of Environment and Forests

MoSPI	Ministry of Statistics and Programme Implementation
MoU	Memorandum of understanding
MPWSRP	Madhya Pradesh Water Sector Restructuring Project
MSP	minimum support price
MWRRA	Maharashtra Water Resources Regulatory Authority
NAIP	National Agriculture Innovation Project
NAPM	National Alliance of People's Movements
NATP	National Agricultural Technology Project
NCERT	National Council for Education, Research and Training
NCEUS	National Commission for Enterprises in the Unorganized Sector
NCLT	National Companies Law Tribunal
NCPNR	National Committee for Protection of Natural Resources
NDA	National Democratic Alliance
NEAP	National Environment Action Plan
NEERI	National Engineering and Environment and Research Institute
NEP	National Environmental Policy
NFE	non-formal education
NGOs	non-governmental organisations
NHRC	National Human Rights Commission
NKUISP	North Karnataka Urban Sector Investment Programme
NNP	net national product
NOC	No Objection Certificate
NPE	National Policy on Education
NREGA	National Rural Employment Guarantee Act
NREGP	National Rural Employment Guarantee Programme
NRF	National Renewal Fund
NRW	non-revenue (generating) water
NSC	National Seed Corporation
NSP	National Seed Projects
NSS	National Sample Survey
NSSO	National Sample Survey Organisation
NURM	National Urban Renewal Mission
O&M	operation and maintenance
OBCs	Other Backward Classes
OCP	Opencast Coal Project
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department
OERC	Orissa Electricity Regulatory Commission
OGL	Open General Licence
OPD	outpatient department
OPEC	Organization of Petroleum Exporting Countries
OPGC	Orissa Power Generation Corporation

OSEB	Orissa State Electricity Board
PAD	Project Appraisal Document
PAN	permanent account number
PCBs	Pollution Control Boards
PCF	Prototype Carbon Fund
CDM	Clean Development Mechanism
PDS	Public Distribution System
PFM	public financial management
PICs	Public Information Centers
PIDG	Private Infrastructure Development Group
PMO	Prime Minister's Office
PNoWB	Parliamentary Network on the World Bank
POA	Programme of Action
POPs	Persistent Organic Pollutants
PPIAF	Public-Private Infrastructure Advisory Facility
PPPs	public-private partnerships
PPPUE	Public-Private Partnership for the Urban Environment
PSEs	public sector enterprises
PSP	private sector participation
PVC	polyvinyl chloride
PWC	Price Waterhouse Coopers
PwC	Price WaterHouse Coopers
Q	Quintile
QACU	Quality Assurance and Compliance Unit
R&D	research and development
RAPs	Rehabilitation Action Plans
RBI	Reserve Bank of India
RCH	Reproductive and Child Health
RCH	Reproductive Child Health
RIDF	Rural Infrastructure Development Fund
RTI	Right to Information
SAP	structural adjustment programme
SAPs	structural adjustment programmes
SASEC	South Asian Subregional Economic Cooperation
SCERTs	State Councils of Educational Research and Training
SCs	Scheduled Castes
SEB	State Electricity Board
SEBI	Securities and Exchange Board of India
SERP	Society for Elimination of Rural Poverty
SEZs	special economic zones
SHGs	Self-help Groups
SHSDP	State Health System Development Project

SICA	Sick Industrial Companies Act
SMP	statutory minimum price
SOE	State Owned Enterprise
SPLT	Substantive Patent Law Treaty
SSA	Sarva Shiksha Abhiyan
STs	Scheduled Tribes
SWA	Single Window Agency
SWaRA	State Water Resources Agency
SWaTReC	State Water Tariff Regulatory Commission
T&D	transmission and distribution
TA	technical assistance
TEAP	Tsunami Emergency Assistance Programme
TERI	The Energy and Resource Institute
TMC	Town Municipal Council
TNUDP	Tamil Nadu Urban Development Project
TNUDP	Tamil Nadu Urban Development Project
TPD	Tourism Projects Department
TRIMs	Trade Related Investment Measures
TRIPs	Trade Related Intellectual Property Rights
UGC	University Grants Commission
ULBs	urban local bodies
ULCRA	Urban Land Ceiling Reform Act
ULSGs	urban local self governments
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
UPA	United Progressive Alliance
USAID	United States Agency for International Development
VFJM	Village Forest Joint Management Programme
VFJMR	Village Forests Joint Management Rules
VRS	Voluntary Retirement Scheme
WBI	World Bank Institute
WCD	World Commission on Dams
WHO	World Health Organization
WIPO	World Intellectual Property Organisation
WSP	Water and Sanitation Program
WSP	Water and Sanitation Programme
WSS	Water Supply and Sanitation
WTO	World Trade Organization
WUAs	water user associations

Introduction

World Bank Out of India

MICHELE KELLEY

The World Bank plays an important role in the dominance of neo-liberal economic theory in today's policy, media and academic circles. While certainly not the only player, it is part of a formidable nexus, which for nearly three decades has drowned out alternative viewpoints and forced through a major overhaul of the way in which we view society, the state and ourselves. Neo-liberalism can be seen as the undertaking by large capital to reassert itself and roll back the reforms of the welfare state.[1] The World Bank, other international financial institutions, the powerful developed nations and many other lesser known entities have played a role in what is basically a triumph of the upper classes. This neo-liberal 'project' has resulted in a massive transfer of wealth from the South to the North, as well as between classes of individual nations.

India has now experienced nearly twenty years of neo-liberal policies, which have dominated economic discourse globally since the late 1970s/early 1980s.[2] Currently, every major party in India subscribes to neo-liberal policies in one form or another.[3] Even the Left has aligned itself with foreign and domestic capital, as the conflicts in Nandigram and Singur have so tragically shown.[4] In fact, it might seem questionable to demonise the international financial institutions for the economic policy framework in India, as the viewpoints of the Indian policy elite and a large section of the middle class are quite similar to those espoused in Washington and at Davos. For this reason, the World Bank remains only a partner in this process and there is no doubt that if the World Bank were to leave India tomorrow, the policy framework would remain until its critics find the political will and the winning strategy to overturn it.

Nevertheless, a critique of World Bank economics is necessary to understand the current policy framework in India, and is an important strategy in reversing it. This volume is an attempt to survey the impact of the World Bank in India because the

World Bank has, over time, had an enormous influence over government decision-making at all levels and therefore had serious impact on development policy, social sector spending, social priorities, poverty and increased suffering in the country. The World Bank had a pivotal role in the economic reform process beginning in the late 1980s, which has continued in various forms until the present. The Bank continues to influence policy-making through various means that will be documented in this collection. It has a vast network of international collaborators among whom the Bank has a powerful voice. Finally, as will be suggested by Professor Arun Kumar in the first section, the Bank has become a convenient excuse for the Government of India to pursue policies that benefit a tiny elite and contribute to the further impoverishment of an already poor majority.

For these reasons, the World Bank is a fitting and important face of current neo-liberal economic policy. The groups behind this volume chose to critique the World Bank to send a message to those in power that these policies are failing the poor and are therefore not acceptable. Further, because India is portrayed as the shining example of the success of this policy framework, particularly to international audiences, it is all the more necessary to document the actual impacts of such policies, bring out the ground realities and provide an alternative viewpoint.

The policies that are critiqued in this volume emanate from neo-liberal economic theory. This doctrine has had its strongest proponents in the United States and the United Kingdom, but it has also been advocated and implemented in China, Russia, India and in scores of developing countries bound by loan conditionalities imposed by the international financial institutions. Neo-liberalism is characterised by a belief in unregulated markets, the efficiency of large-scale privatisation and a reduction in the power of the state and a change in its essential character. It is closely linked to what is generally termed globalisation due to its push to open up goods and capital markets in the creation of a global economy. It believes that social functioning is best served when individuals are pursuing their own interests in a framework where the state is providing for the optimal range of individual action, by securing property rights and open markets.[5] Therefore, the state's primary role becomes limited to what is today called 'enabling a better business environment' by the World Bank and others. This doctrine portrays the private sector as the most efficient actor to manage everything from transportation infrastructure to a cleaner environment.[6] Privatisation has become such a pervasive solution that it would be nearly impossible to find a single sector where World Bank policy does not assure us that the private sector is the surest way to increase social welfare.

This volume will, therefore, discuss the themes of liberalisation, privatisation and globalisation, and the ramifications and failures of this current economic doctrine. Alongside these ideas are three associated aspects: (*i*) the problems associated with big development and the 'growth with no limits' model; (*ii*) the role of US imperialism; and (*iii*) growing economic disparities in India.

A programme of large development projects has existed in India since independence. It has been associated with the Left's alignment with the Soviet model but also with advocates of neo-classical and neo-liberal economics. The World Bank has championed this pursuit of mega-development projects and stubbornly refuses to abandon them in the face of continued, widespread protests from social movements as well as internal criticism.[7] Despite the language of sustainability that decorates every project information document put out by the World Bank, the detrimental environmental consequences of the current mode of development and the underlying philosophy of 'growth without limits' are already being witnessed in southern countries.[8] The Bank is of course only one of the proponents of this model.

The role of the US is another underlying aspect of the current development framework. India is the increasingly willing partner of both foreign capital (including US capital) and the US design to make India a client state to serve its regional interests. This status has largely been accepted by the Indian policy elite, all major political parties and most of the middle class, as evidenced by support for the Indo-US nuclear deal.[9] The World Bank continues to be under the control of the US Treasury Department via its majority-voting share across each of the World Bank Group's five branches.[10] The institution, whose president has always been chosen by the US, is another instrument of pressure which the country possesses in order to ensure that India remains both a loyal political ally and a willing market for foreign capital.[11] The Bank influences the financial markets by influencing foreign investors regarding a country's investment potential. The Bank also, as the current volume will emphasise, has a very heavy and direct influence on development policy. Because the current rules of globalisation are heavily biased in favour of developed countries, particularly the US, India's own developmental objectives cannot be met by following the policy advice coming from these quarters, which is generally imposed rather than negotiated.[12]

Advocates of neo-liberal economics speak about trickle-down benefits and the rising tide. The idea is: 'Let's have growth now and worry about distribution later.' However, in India, growing income disparities are disturbing and difficult to dispute. The latest statistics from the Government of India show that nearly one-third of the population lives in absolute poverty, and 77 per cent of the population lives on less than Rs 20 per person, per day.[13] The same survey data shows that the top 4 per cent of the population (numbering 44 million) spends on average less than Rs 48 per person, per day. Professor Arun Kumar has argued, based on this data (and factoring in the large percentage of unreported income from the black economy), that the upper and middle classes of Indian society combined account for approximately 3 per cent of the population or about 33 million people. Therefore, when proponents (and even critics) of neo-liberalism speak about middle class support for these policies, it must be kept in mind that middle-class India does not represent a middle social stratum of significant numerical strength, as it does in the US and Europe.[14]

Another dimension of economic disparity in India can be found by comparing corporate profits with wages. The ratio of corporate profit to gross national product (GNP) in India rose by 330 per cent during the period 2001–5, while in the same period the ratio of corporate wages to GNP fell by 2 per cent.[15] India's Gini co-efficient is another indicator[16] of rising disparity even if one considers only white income. The situation is much worse if the black economy is taken into account since it is concentrated in the hands of barely 3 per cent of the population.[17]

It is a sorry state of affairs that India has a higher child malnutrition rate than sub-Saharan Africa while having the largest number of billionaires in Asia. It surpassed Japan on Forbes Billionaires table in 2007.[18] The essays in this volume will give plenty of other examples that illustrate increased disparities arising from current policies.

The ground reality for hundreds of millions across India is desperate. The land struggles that are today taking place all over the country are the frontlines of the class struggle underpinning the current mode of development. Countless people today are ready to die for their basic human necessities, as international capital, foreign and domestic corporations, and their own state governments have given them no alternative. In Orissa, West Bengal, Jharkhand, Andhra Pradesh, Gujarat, Maharashtra, Assam, Chhattisgarh, Madhya Pradesh, Karnataka and Kerala, women and men have refused to leave their homes under terrible pressure and under threat of increasing state violence.[19] Cities are being refashioned to resemble Shanghai or Manhattan, while slum populations are being evicted without resettlement. This is the face of India today, although you will not find any reference to it across thousands of country-specific World Bank documents.

As the situation of the ordinary person in India becomes ever more shocking, the World Bank continues to promote and give credence to the same policies which are causing these cruel distortions under a rhetoric of sustainability and poverty alleviation. The World Bank remains a powerful tool to justify a system which benefits a tiny elite segment of society. It is not of course the only institution; there are many other international and national actors in the race to possess India's natural resources. The International Monetary Fund (IMF), the World Trade Organization (WTO) and the Asian Development Bank (ADB), all collaborate regularly with the World Bank through numerous mechanisms, ensuring a level of policy coherence among them. This policy coherence has in some way existed since the founding of the Bretton Woods institutions and the United Nations (UN). It reflects the US agenda, at that time, to ensure effective demand through open markets and a relatively stable world order. Today, this policy coherence works towards making it acceptable and desirable for previously considered public goods (water, land,[20] healthcare and education) to become tradable commodities.[21]

At the same time, the World Bank and IMF collaborate via the *Global Monitoring Report* to monitor progress and activities on the UN's Millennium Development Goals. This global movement towards poverty alleviation and the solving of other critical problems completely and quite deliberately ignores structural issues such as debt, unfair trade, the rollback of public expenditure and other oppressive neo-liberal economic policies pushed so furiously by the very same institutions.[22]

The network of organisations maintaining this overall paradigm goes well beyond multilateral and bilateral lending agencies, the WTO and certain departments of the UN. There are a host of international knowledge initiatives, multi-donor agencies and sector-specific funding agencies that work together and are difficult to untangle. Sometimes called global public policy networks, these alliances of government agencies, corporations, international organisations and non-governmental organisations (NGOs) exert important influence by 'consolidating relevant knowledge and disseminating it on a global scale'.[23] Examples in agriculture demonstrate the set of partners who collaborate in setting the policy agenda in this critical area.

In the agricultural sector in India, the World Bank, the ADB, bilateral lending agencies and the WTO partner with a host of other institutions in policy development. For example, the Consultative Group on International Agricultural Research (CGIAR), the US-India Knowledge Initiative on Agriculture and the Public-Private Infrastructure Advisory Facility (PPIAF) all play a role in enabling private sector penetration of the agricultural 'value chain'. Founded in 1971, CGIAR is one of the oldest of such policy networks. A consortium of countries, international institutions and national agencies, in 2007 it provided US$ 506 million for agricultural research and development (R&D)[24] in sixteen agricultural research centres around the world. Long involved in Green Revolution technologies, its research policy environment has changed dramatically since its creation. Major changes include 'the biotechnology revolution, the information revolution … the communications revolution, the ascendancy of the private sector in agricultural R&D, and the proliferation of IPR [Intellectual Property Rights]'.[25] Devinder Sharma has argued that CGIAR functions as an agricultural research outsourcing mechanism for multinational corporations. With members such as the seed giant Syngenta and a Science Council headed almost exclusively by executives from developed countries, its legitimacy as an unbiased research organisation promoting sustainable development in the South is suspect.[26]

CGIAR's links to World Bank economic policy and other international policy networks are personified in the organisation's chair.[27] Her responsibilities indicate the degree to which many international development organisations are linked.

> She has overall responsibility for the Bank's work in environment and natural resource management, social development and science and technology policy, as well as for agriculture and rural development, transport, water, energy, and urban policies and strategies. She also manages, jointly with the International Finance Corporation, global product groups for Information and Technology and for Oil, Gas, Chemicals, and Mining. Ms. Sierra chairs several international consultative groups. These include the World Bank/World Wildlife Fund Alliance for Forest Conservation and Sustainable Use; CEPF (the Critical Ecosystem Partnership Fund); the Cities Alliance; the Energy Sector Management Assistance Programme; and the Water and Sanitation Program. Other international groups she chairs are InfoDev, which supports information and communication technologies for development, and the Public-Private Infrastructure Advisory Facility, promoting private participation in infrastructure.[28]

Most of the organisations cited above are actively collaborating across multiple sectors to produce policies in favour of private sector expansion. CGIAR is only one of the organisations spawned or driven by the World Bank; others include the PPIAF and the Water and Sanitation Programme. The responsibilities of CGIAR's chair also point out the degree of collaboration between the private and public lending arms of the World Bank Group.

Another important policy broker in India's agricultural sector is the US-India Knowledge Initiative on Agriculture. This bilateral agreement, signed in 2005, was set up to facilitate partnership between the two counties in the areas of strengthening curriculum design, course content and delivery at many Indian agricultural universities. The agreement also intends to prioritise research areas, with a focus on biotechnology, and to extend private sector involvement in agriculture.[29] 'A key feature of the Board will be a public-private partnership, where the private sector can help identify research areas that have the potential for rapid commercialisation.'[30] Members of the initiative's board include the retailing giant Walmart, well-known for its devastation of small businesses in the US, and the seed and pesticide multinational Monsanto, whose record of environmental and human rights violations is too long to enumerate here.[31] Concerns abound regarding the influence these companies will have on Indian agriculture as a result of this agreement.[32] While this bilateral agreement is outside of World Bank purview, it is cited here to show another way the US influences Indian policy, as well as the interlinkages between multinational corporations and development policy. Of course, the three key US corporations behind the initiative all have their own relationships with the World Bank.

A third policy network active in India's agricultural sector is the PPIAF. Created in 1999 by the World Bank, its purpose is 'to help governments in developing countries improve the quality of infrastructure through partnerships with the private sector. Through policy, legal, and regulatory support, PPIAF helps governments explore arrangements for improving the delivery of services'.[33] Funded by eleven developed countries, the European Commission, the World Bank and the ADB, it works in areas such as energy, transport and water to expand the role of the private sector. The government of Norway announced in November 2007 that it would not fund PPIAF in the future due to widespread criticism of its role in water privatisation (it has funded water privatisation advice in twenty-four countries including India[34]). Developing countries (who are the recipients of PPIAF advice) are in no way represented in its organisational decision-making. There are of course no equivalent donor-funded institutions to advise on public-led infrastructure reform.[35] The PPIAF's role in India's infrastructure decisions includes ensuring that only private sector solutions are found in infrastructure building and that alternatives are not considered. One of the important impacts of this is that infrastructure decisions taken in support of the private sector do not generally represent the needs of the poor.

A similar policy nexus exists in the water sector, where organisations involved in policy include the Water and Sanitation Programme, the Water Utility Partnership, the Private Infrastructure Development Group, Global Partnership and Output Based Aid, the Global Water Partnership, the Public-Private Partnership for the Urban Environment and the PPIAF.

There is much more work to do to unravel the workings of finance, knowledge production, the private sector, consultants, NGOs and the state in today's intellectual and political victory of neo-liberal policy.

The current volume focuses almost exclusively on the World Bank's role in these policies and the subsequent macro- and micro-level impacts. The volume represents the first in-depth national study on the topic of the World Bank's involvement in India. It collects a wide range of inputs across sectors and social issues in order to produce an aggregate picture of the impacts of the World Bank and neo-liberal economic policy on the poor. The text combines academic presentations, testimonies from current and former government officials and field practitioners, and first-hand accounts from affected communities. About one-third of the submissions at the Independent People's Tribunal on the World Bank in India have been included here to provide a strong sample of the discussions at that forum. Many other important presentations have been omitted due to space considerations.[36] For the convenience of the reader, the chapters have been organised into themes that dominated the discourse at the Tribunal.

However, the themes pervading this topic, such as the commodification of natural resources and social services, land struggles and the distortion of democratic principles, are deeply intertwined. Therefore, while the essays have each been placed within a primary context, the reader will find the major arguments repeated and reinforced chapter after chapter. This is due to the near complete dominance of a set of neo-liberal policies, which transgress all aspects of social functioning. A 'part' within this volume represents a theme, which is explored via first-hand accounts and by research papers. A chapter consists of a paper, a testimony or sometimes a combination of both.

Part I contains five papers on the World Bank's agenda, history and modes of functioning in India. This section provides an introduction to the history of the World Bank and how its functioning fits into the overall paradigm of neo-liberalism and globalisation. It also explores the mechanisms of World Bank power. It is generally known that the World Bank and the IMF have exerted great influence over scores of countries by inserting 'conditionalities' into loan agreements. These mandatory conditions are placed to ensure the borrower country amends various internal policies in line with the institution's economic viewpoint. Throughout this book, specific conditionalities which have radically changed laws and social structures will be covered. This first section examines three lesser-known sources of World Bank power, including its close relationship with key policy-makers, the role that its research and technical assistance plays and the newest trend of influence at decentralised levels of governance.

Chapter 1 positions the World Bank within the process and ideology of globalisation and marketisation. Professor Arun Kumar presents the ideas behind marketisation and how this belief system is maintained and is used to make World Bank policies desirable to the Indian elite. Explaining that marketisation is the latest phase of a process of globalisation spanning hundreds of years, the Bank's role is shown to have emerged during the past three decades. Kumar asserts that the Bank's underlying agenda in this context is to promote markets in every aspect of social functioning in order to enable private capital to gain further control over world resources. This process is facilitated by the desire of India's elite to join the ranks of the global elite and their subsequent willingness to weaken the state to achieve this end.

In Chapter 2, Aseem Shrivastava provides an introduction to the origins of the World Bank and explores its changing role over time. He asks, 'Is the World Bank only a Bank?' and questions how a bank came to have such enormous influence over the developing world. Tracing the history of the World Bank over five periods, he shows how, while different ideologies and trends have been dominant at various times, policies launched in previous periods never actually change, but rather are built upon. He outlines the various components of the large structural adjustment loan given to India in 1991, which will be referred to throughout the volume. He also describes the fundamental aspects of the Green Revolution in India and the eco-development policies of the late 1990s.

Chapter 3 illustrates, through India-specific case studies, how the World Bank uses its research arm to promote a pre-determined set of neo-liberal economic policies. Shripad Dharmadikhary demonstrates how in India, World Bank knowledge and technology are pushed through the Country Assistance Strategy (a three-year country plan), as well as through thematic and sectoral studies that become part of World Bank technical assistance projects. He shows how a knowledge network operates via reward systems available to those that support it, generating lucrative contracts for private, international consultants. He uses specific examples to demonstrate that important facts have been deliberately suppressed in various reports and others handpicked, to support plans for large dams and the privatisation of water.

In Chapter 4, Prashant Bhushan contends that filling most economic policy-making positions of the Government of India with World Bank staff has heavily impacted the country's ideology and policies. He illustrates with specific examples how World Bank staff have occupied key positions within the Indian Finance Ministry, the Reserve Bank of India and the Planning Commission for the past few decades. This is possible because the government has exempted the Bank from the requirements of the Foreign Contribution Regulation Act (FCRA)[37] on the basis that it is a special agency of the UN. He shows that World Bank money creates enormous incentives for officials not to pursue alternative policies and creates more loyalty to the Bank than to the people of India.

Part I concludes with Prabhat Patnaik, a Professor of Economics at the Jawaharlal Nehru University (JNU). In Chapter 5, he explains that historically the Bank has consistently pursued trade liberalisation policies, which perpetuate an international, colonial division of labour. However, the newest agenda for the Bank is to support private appropriation of natural resources in the developing world. He describes how the World Bank's newest mode of influence relates to its infiltration of the lowest levels of Indian governance in the name of decentralisation. Patnaik gives examples from the state of Kerala regarding how conditionalities of the Jawaharlal Nehru

National Urban Renewal Mission (JNNURM) are tying the hands of state and local policy-makers.

Part II introduces the poverty and employment context in India. Because World Bank operations are today justified in the name of poverty alleviation, trends in poverty and employment data are presented to show macro-level failures of Bank policy. Poverty and employment trends are closely related as employment generation is the largest defence a society has against poverty. The data discussed in this section, which is drawn from official government sources, is consistent with the view that neo-liberal policies are failing the poor and indicates that the growth in gross domestic product (GDP) that India has enjoyed over the past fifteen years is a 'jobless growth' and is not reaching most people. As discussed earlier, while absolute poverty has been declining slightly over the years, relative poverty has been growing.[38] Further, growth in regular employment has barely exceeded 1 per cent while India's overall growth rate has been 7–8 per cent. This suggests that growth is coming from increasing labour productivity, not from increased employment.[39] This section will show how World Bank policies have produced a climate of jobless growth and will demonstrate that World Bank policies are in fact creating increased poverty in India. This section also evaluates micro-credit programmes, which have been a focal point of the World Bank's poverty reduction strategy.

In Chapter 6 Aasha Kapur Mehta provides the government's statistical data on poverty and shows how the rate of poverty reduction has been slowing since World Bank structural adjustment policies began in the early 1990s. She explains the basis of the poverty line and asserts that it needs to be corrected to account for the basic needs of people that are no longer being met by the State. Due to the increasing privatisation of healthcare and the withdrawal of agricultural subsidies, the poor are facing increased hardships and indebtedness. Mehta breaks down poverty into three different phases in order to explain how different policies are needed at various points in the poverty cycle. She asserts that current World Bank policies do not address the causes that force people to fall into poverty. She explores the reasons for chronic poverty and the impacts that wages have on poverty's persistence. Finally, she explores policies which could help people get themselves out of the cycle of poverty, including employment policy and healthcare reform.

As a complement to the essay on poverty, Chapter 7 gives data on employment over the past twenty-five years in India. Professor Praveen Jha shows how the rate of employment generation, which was close to 2 per cent per annum during the 1980s, became less than 1 per cent during the 1990s. He shows how in many districts of India the rate of employment generation actually became negative and that trends of informalisation, in terms of job quality, have worsened over the same period. A discussion on the impact on the youth sector, the so-called 'demographic dividend' and the causal relationships between these trends and World Bank policies, concludes the presentation.

In Chapter 8, J. John and Dr R. S. Tiwari describe the impacts of World Bank policies and projects on Indian labour. Beginning by describing in detail the conditions laid out in the structural adjustment loan of 1991, they outline the impacts of the programme of liberalisation which included the closing of many public sector enterprises followed by imposed 'voluntary retirement schemes'. They also address the way the World Bank ranks countries in terms of the 'ease of doing business' and the assumptions made about labour in these indices. Finally, the chapter describes the particular challenges faced by India's many fishing communities in the face of large development projects and policies supported by the World Bank that favour large development projects on India's coastlines to the detriment of traditional fishing villages.

In Chapter 9, Kalyani Menon-Sen argues that World Bank micro-credit programmes legitimise financial liberalisation while undermining local women's movements. Menon-Sen explores how World Bank micro-finance programmes undermine the women's movement by claiming that the introduction of markets and new financial instruments will solve poverty and gender inequality, without critically looking at existing social practices. She also suggests that micro-finance programmes, rather than being a poverty reduction strategy, are instead—by providing ever expanding opportunities for profit—an effective escape valve for a failing global capitalist system. Kalpana Kannabiran, the chapter's co-author, introduces a micro-credit case study from the World Bank Velugu/Indira Kranti Padam programme in Andhra Pradesh. The case study is included to illustrate how these programmes ignore and therefore aggravate existing social biases, and how they create conflicts between marginalised communities, weakening movement struggles.

Part III covers a broad range of topics associated with state sovereignty and democratic functioning to show how the World Bank undermines both through the promotion of apparently neutral 'good governance' reforms. The chapters highlight the fallacy that the World Bank is an apolitical organisation. Instead, the 'good governance' reforms are shown to have the political objective of increasing the role of the private sector in society at the expense of the state and democratic processes. The World Bank today plays arguably the largest role in perpetuating the current neo-liberal discourse on good governance. This discourse, which emerged towards the end of the twentieth century, generally stresses the idea that the state cannot effectively govern alone. The state does not have the resources or the expertise, and its attempt to regulate is in fact inefficient and unproductive. Instead, there are a range of actors, from international institutions to corporations to NGOs, which together with a downsized state mechanism can better provide for society's needs. The first three chapters in this section discuss the impacts associated with this discourse, including the downsizing of the public sector, failures to prioritise food security and the rise of illegalities within the private sector.

Part III also looks at governance within the Bank. In 2007, the Wolfowitz scandal broke, which involved the World Bank president's unethical dealings to secure a salary increase for his partner. Still touted as the 'good governance' president on the World Bank's website,[40] Wolfowitz's nepotistic dealings, while clearly corrupt, pale in comparison to his and the Bank's failures to address the overall lack of a strong governance framework within the institution. The narrow focus of the international community on the scandal amidst a much larger ongoing governance disaster was unfortunate but typical, and many NGOs participated in that circus. This section will address the overall landscape of World Bank internal governance issues. It will also discuss the inability of the World Bank to abide by its own social and environmental standards, the weakness of its own mechanisms for redress and its sub-standard information disclosure policy.

In Chapter 10, Smitu Kothari and Benny Kuruvilla provide an overview of what the 'good governance' reform agenda of the World Bank consists of, emphasising five elements: anti-corruption, civil service reform, decentralisation, legal/judicial reforms and public finance reform. The essay then explores the mandatory governance reforms imposed by the Bank within the structural adjustment projects in Andhra Pradesh (1998, 2002 and 2004) and Karnataka (2001 and 2002) and how these impacted democratic processes at the state level.

In Chapter 11, Harsh Mander argues that the Bank's good governance reforms are altering the public sector's approach to the provision of food security. Mander's presentation is based on his experience as a Supreme Court Commissioner. He describes how the Bank's discourse on good governance reflects the changing expectations of the state. He insists that the problems India is facing today, such as the persistence of abject poverty amidst plenty, are ignored by a discourse which measures governance by the perceptions and the experience of the private sector.

In Chapter 12, Professor Saumen Chattopadhyay argues that, by focusing exclusively on government conduct, World Bank's good governance measures have completely ignored issues of private sector corruption and indeed encouraged them via deregulatory policies. As the good governance agenda focuses mainly on state corruption, the World Bank governance strategy misses the crucial point: that there are large-scale illegalities in almost all spheres of the economy. Chattopadhyay asserts that because the Bank has turned a blind eye to these issues, it has in fact contributed to sustaining and increasing the black economy. Deregulation of the private sector and the downsizing of government at the Centre and state levels have worsened corruption among the private sector, bureaucrats and politicians.

In Chapter 13, Arvind Kejrival contributes a case study on the World Bank's corrupt practices in relation to the design of the Delhi water privatisation project. This project, started in 1998, was dropped in 2005 due to pressure from citizens' groups in Delhi. It was halted based on documentation received under the Right to Information (RTI) Act which uncovered, among other things, the corrupt procurement practices being pushed by the World Bank. This begins a series of testimonies in this section that show the double standards practised by the Bank in the area of governance. Kejrival relates the story of how despite protests from the Delhi Jal Board, the World Bank insisted on pushing Price Waterhouse Coopers as the contractor for the Delhi water privatisation project, even though the company did not fulfil the Bank's own procurement criteria.

In Chapter 14, Nikhil Dey contrasts India's RTI legislation with the Bank's information disclosure policy, and asks: 'How transparent is the Bank?' He claims that the World Bank is actually acting quite contrary to what it says: it is leading the way in non-disclosure rather than leading the way in transparency. According to Dey, this is because the World Bank sees itself as a commercial bank, even when it says that it is a development-oriented institution. Dey shows across thirteen criteria that the Bank's transparency and information disclosure processes fail to meet India's own standards. He also looks at the principles of independent appeals mechanisms to show that the World Bank's Inspection Panel[41] and the Compliance Advisor Ombudsman (CAO) of the International Finance Corporation (IFC)[42] are weaker than India's Independent Information Commission, both at the state and central levels.

In Chapter 15, Tony Herbert's testimony focuses on the ineffectiveness of the Inspection Panel as an institution for holding the Bank to account. He cites the experiences of the people of Parej East, Jharkhand, in their struggle for rehabilitation. Displaced by the World Bank Coal Sector Rehabilitation Project, they took their struggle through the Bank's Inspection Panel process for redress. To date no action has been taken despite violations by the Bank relating to involuntary resettlement, indigenous peoples, environmental assessment, project supervision, disclosure of information and management of cultural property. Herbert describes how mining continues while the people of this community have lost their lands without any democratic or sufficient rehabilitation process. This testimony has been placed in the context of this section on the Bank's good governance agenda to show its own failed accountability measures.

In the final chapter to Part III, Himanshu Thakkar documents the role of the IFC in funding a dam project in Himachal Pradesh. The IFC is the arm of the World Bank Group which provides both equity and loan capital to the private sector. In a companion account to Tony Herbert's story of the displacement in Jharkhand, Thakkar describes the struggles faced by local people to have the IFC's mechanism for redress take their concerns seriously. The affected communities have complained to the IFC and its CAO regarding the serious social and environmental impact on villages in the project area. However, appeals to the CAO have led nowhere, despite 122 recorded violations and a high court order to suspend the project.

Part IV begins a sectoral analysis of the impacts of the World Bank, focusing on agriculture and food security. The chapters on agriculture and food security have been combined in this section since the World Bank policies which have led to the collapse in food security in India have been the same as those which have led to the collapse of India's agricultural base. Focus on and planning for food self-sufficiency, once a goal of Indian administrations, has been replaced by what the World Bank is calling (in its latest *World Development Report*) the 'high-value revolution in agriculture led by the private sector'.[43]

The *World Development Report 2008* focuses on agriculture. With an ongoing global food security crisis, and a catastrophic situation in India where farmers are committing suicide by the hour, it downplays the challenges facing global agriculture while cheering on the unfolding private sector revolution.

The testimonies in this section will cover how reductions in public sector spending and export-led growth have led to the Food and Agricultural crises. Ironically, the World Bank had at one time helped India set up the Food Corporation of India in 1965, which together with the Agricultural Price Commission was designed to buy products from farmers at a price that would ensure their livelihoods. Linked to this was the Public Distribution System (PDS), which was intended to provide subsidised grains to consumers but also to ensure minimum support prices to farmers. It was well understood that the livelihood of farmers was linked with the ability of people to afford food, as price volatility affects everyone.

World Bank policies since the early 1980s have changed this vision of the government's obligations. They have, as everywhere else, introduced the market and encouraged the development of the private sector. Reduction of public sector spending and trade liberalisation, the World Bank package for poverty alleviation, have led to a decline in food grain availability and contributed to the crisis facing India's farmers.

Still, in the midst of crisis and failure, the World Bank succeeds in perpetuating the same set of policies. The Bank's ten-point plan for the food security crisis lays out a blueprint similar to the policies which have led to the emergency. Robert Zolleck's speech to the Rome World Food Security Summit in June 2008[44] calls for the removal of export bans and restrictions, increased large infrastructure projects, linking small farms to retail chains, more agricultural research through CGAIR (the agency promoting biotechnology and Green Revolution technologies),[45] easing subsidies and tariffs, closing the Doha WTO deal and introducing new financial instruments.

In Chapter 17, Bhaskar Goswani submits an overview of key policies within the agriculture sector: privatisation, trade liberalisation and the dismantling of government safety nets. In an exploration of India's pricing and procurement mechanisms, he pays particular attention to how the World Bank has impacted farmers by dismantling the systems of the minimum support price and procurement by the Food Corporation of India, which were put in place to support them. Via case studies of Maharashtra cotton farmers, the edible oil sector and the dairy sector, Goswani shows how World Bank liberalisation policies have directly impacted the livelihoods of millions of farmers.

In Chapter 18, Professor Utsa Patnaik explains the economic policies that are causing both the agrarian and food security crises and the reasons the Bank promotes these policies. She charges the World Bank with responsibility for an economic policy framework which has exacerbated poverty levels and dismantled government safety nets that were created to soften the hardships of acute poverty. By discouraging public spending in the name of liberalisation and promoting market-oriented reform and public-private partnership, the World Bank has contributed directly to growing hunger and even starvation in both rural and urban India. Utsa Patnaik indicts World Bank economists as 'economic criminals' and equally condemns the Indian Planning Commission for producing fraudulent poverty estimates.

In Chapter 19, Professor C. P. Chandrasekhar describes the role the finance industry has had on India's agricultural sector. Unlike the targeted interventions of credit in Japan and Germany after World War II which helped address some of the existing inequities of those economic systems, Chandrasekhar describes how the deregulation of India's financial system has ensured that credit has increasingly gone into the hands of corporate agriculture and large real estate developers, rolling back much of the gains made during India's nationalisation period.

In Chapter 20, Devinder Sharma contends that the World Bank has been deliberately planning an exit strategy for agriculture. He shows how it is working with the CGAIR and other international agencies to implement this plan, which will displace hundreds of millions to already overly stressed urban areas. Sharma reviews World Bank policies since the Green Revolution, breaking them into pre-1991 and post-1991 phases. He shows how they have changed over time but cumulatively have dispossessed millions and contributed to the devastating trend of farmer suicides in India.

In Chapter 21, Biraj Patnaik describes the changes to the PDS provoked by World Bank policy advice. He outlines the history of the PDS and the Integrated Child Development Scheme (ICDS), and how the World Bank has modified the former and has dangerous plans for the latter. Again the theme is privatisation and reduction of public expenditure exactly where it counts the most: food and nutrition. This essay completes a historical view of World Bank interference in agricultural production and food security policies in India.

The last two essays in this section focus on new and accelerating trends in World Bank agricultural policies. In Chapter 22, Dr Suman Sahai describes the process of creating a highly profitable market around genetically engineered products. She gives both an explanation of how biotechnology is contributing to an unsustainable system in agriculture and how the World Bank participates in this process. She explains the mechanics of the World Bank's role in the field and describes how the World Bank funds global knowledge networks to justify its approach. Her testimony explains how World Bank capacity-building programmes train government policy-makers in the importance of this technology and are basically programmes of indoctrination. Sahai contends that this technology benefits primarily the six corporations that control it: Monsanto, Syngenta, DuPont, Dow, Bayer and BASF. Further, her analysis suggests that there is a concentrated effort by these corporations to gain access to the valuable gene pool available in southern countries.

The privatisation of natural resources is a common theme in this volume, and in Chapter 23 Afsar Jafri describes a World Bank-funded process that even after decades of implementation sounds unthinkable: taking away seeds from farmers, which reproduce themselves at no cost and are a common and cost-free input to farmer livelihoods, and replacing them with corporate-owned seeds which must be re-purchased annually. He discusses how future plans for agriculture include ever more privatisation, as well-documented in the latest World Bank-funded programme: the National Agriculture Innovation Project (NAIP). Removed from the propaganda of value chains and poverty alleviation, he shows how the policies are clearly pro-corporate and anti-farmer. He describes how the NAIP will continue to centralise knowledge production and dissemination and thereby continue to exclude alternative approaches.

Part V reviews the impacts of privatisation policy across four key sectors: power, water, education and health. It also includes a study on how privatisation policy has been imposed at the state level. It was discussed earlier that the World Bank is part of a network which facilitates the private sector's exploitative search for ever more markets. This phase of capitalist development includes further expropriation of natural resources, especially in developing countries (moving into areas such as water), and the privatisation of social services. These measures involve two types of privatisation. One is the outright replacement of public sector services with private ones. The second is what has been called 'new privatisation', which involves re-organising government (and NGOs) functions along the lines of the market, thereby transforming it into the image of a profit making sector.[46]

The relentless push for privatisation is driven by a neo-liberal ideology which claims that competitive markets are the most effective management mechanisms. Case studies in this section will outline the policies and consequences in the power, water, education and health sectors, where privatisation has led to increased hardships for the poor. The section concludes with a case study of the privatisation of the state of Karnataka, through two World Bank structural adjustment loans. Similar projects have restructured the states of Andhra Pradesh, Uttar Pradesh and Orissa. Another structural adjustment project began in Himachal Pradesh in September 2007. While Karnataka's World Bank adjustment loans are now closed, the process is continuing. Foreign consultants are continuing to remodel the state in line with competitive market principles, as the recent appointment of Price Waterhouse Coopers to write the state's Eleventh Five Year Plan indicates.[47]

Chapter 24 clearly demonstrates the failure of World Bank power sector reform projects. Sreekumar describes how reform programmes in the power sector, directed primarily at distribution activities, have been handed over to private companies for making easy profit. Detailed case studies from Orissa and Andhra Pradesh show that Bank-funded power programmes obstructed public scrutiny, enriched private corporations and increased costs for regular consumers. Yet, despite the fact that Orissa, the first state to implement the Bank-led reforms, was an unambiguous failure, as admitted by government and World Bank reports, five other states carried out similar reform measures. The essay discusses the reasons for continued privatisation as well as community responses to these measures.

In Chapter 25, Shripad Dharmadhikary provides an overview of World Bank reforms in India's water sector. He describes a two-part reform process. The first is outright privatisation of water services, which is happening in the industrial sector and in urban water supplies. He attests, however, that the more insidious form is that of water sector restructuring, which includes ten major components, including unbundling, increased tariffs, elimination of subsidies and full market allocation. The essay argues that instead of ensuring universal distribution, the policies make this essential resource increasingly inaccessible. Coupled with this overview are three community testimonies. The testimony from Madhya Pradesh describes plans to privatise irrigation. Mr Isaac from the state of Karnataka describes the closure of thousands of public taps in Bangalore. He also explains how water supply operation and maintenance in four other cities have been given by the state to a major foreign water company, which does not pay for ground water and has made no initial investment. Sita Ram Saler describes the World Bank's pilot project for the privatisation of the water supply of K-East ward, Mumbai.

Chapter 26 traces the World Bank's policy impacts on Indian education since 1986, when policy changes began to depart from India's post-independence vision and constitutional guarantees on education. Sagdopal gives a comparative analysis of the educational frameworks within the Indian Constitution, the Jomtien Declaration (UNDP, UNESCO, UNICEF and World Bank), the District Primary Education Programme I, II and III (World Bank and Government of India), the Millennium Declaration (UN) and Sarva Shiksha Abhiyan (World Bank, Department for International Development [DfID], European Community, Government of India). He argues that the framework set up at Jomtien and implemented through successive DPEP programmes has radically restructured education, not only by lowering quality and levels of access, but through transforming the fundamental character of knowledge into something designed to create consumers rather than a just society. The overview is supplemented by several additional presentations providing greater detail on higher education, literacy rates and the exclusive nature of the emergent system. Professor Madhu Prasad describes the ideology behind and the impact of World Bank policies on higher education. An account from West Bengal describes how DPEP has failed even by its own yardstick, with literacy rates stagnant over a period of twenty years. Testimony from Nandubar district in Maharashtra describes the worsening of conditions in education for tribal people under the World Bank-sponsored programme.

In Chapter 27, three presentations discuss the World Bank's role in the privatisation of healthcare in India. Covering public health, World Bank state-level health project interventions and the privatisation of hospitals, this chapter shows how the World Bank has systematically dismantled the vision of social responsibility within healthcare planning since the 1970s. The first discussion by Imrana Qadeer shows how, under World Bank guidance, the Government of India's public health system has moved from providing universal healthcare to targeted healthcare and immunisation. She demonstrates how India has moved from a view of public health as an outcome of social justice and development to one of targeted medical interventions within a cost recovery system. Sundari Ravindran provides analysis on nine health-system developmental projects at the state level, to show the failures of marketisation in health. A detailed case study presented by Bijoya Roy on cost structures in hospitals in West Bengal illustrates how gaining exemption from user fees has proven increasingly complex and unattainable for almost all poor patients, barring the poor from access to healthcare services.

Closing Part V, Vinay Baindur, in Chapter 28, argues that the World Bank, through its project-specific and state-level structural adjustment loans, has led to the conversion of Karnataka's state government into an entity whose primary objective is to generate opportunity for private sector and enterprise development. Baindur uses the sharp drop in Karnataka's ranking in the human development indicators from 1991 to 2001 to illustrate the impacts of the reform framework. This is substantiated by data on rising income disparities, which even in Bangalore show an unsustainable gap. Other indicators include reductions in rural and urban employment, slowing growth in rural and urban enterprises, and reductions in the numbers of primary and secondary schools. Case studies in water and power are included to extend the analysis to key sectors where reforms have been enacted.

Part VI can only begin to describe the suffering in India today, caused by displacement or threat of displacement. In this section, the themes of privatisation and democratic functioning are critical. The enormous trend in India of removing people from their lands is caused by World Bank and Government of India policies that hand over large tracts of land for private development without democratic consultation. The resulting devastation and human struggle due to displacement are occurring in cities, villages, forests and on the coastline. The poor are being pushed out of all of these areas due to industrialisation, special economic zones, urbanisation, environmental protection and tourism, among other factors. Tens of millions have been displaced in India by these policies. Some of these people have been twice or thrice displaced. At the current pace of neo-liberal development, these numbers will grow to ever more unimaginable figures. This section only starts to describe the human costs of the current form of development.

In Chapter 29, Ashok Chowdhary explains the political context of the World Bank's involvement in India's forests since the 1970s and how this has dovetailed with the Indian government's Joint Forest Management programme. The story of Joint Forest Management has been to remove the traditional forestry programme initiated and managed by tribal people and to replace it with one representing commercial interests and based on market principles. Among the primary impacts of this drive for privatisation of India's forests are the exclusion of forest people from their natural resources which are the basis of political and cultural traditions. Other primary impacts include loss of livelihood, physical displacement and the introduction of serious conflict in the forests due to the introduction of outside forest managers and private contractors. Additional testimonies from Malika Verdi, Vasavi Kiro and S. R. Hiremath describe how local systems of governance have been threatened or undermined and the displacement of forest people from one of India's national parks.

In Chapter 30, Ranjan Solomon and Vidya Rangan describe a process by which the World Bank has displaced thousands in the name of eco-tourism. According to the authors, the World Bank's approach to environmental conservation, as evidenced in its India Eco-development Project of 1995, has resulted in forced displacement of thousands of people from their traditional forestlands, while simultaneously opening up these areas for eco-tourism for the benefit of the private sector. Further, they argue that the World Bank has a history of supporting large-scale, mass models of tourism in the developing world, which has led to visible negative impacts in these now established tourism 'enclaves'. Finally, the essay proposes that tourism is a key motivating factor and impetus for several large-scale destructive infrastructure projects funded by the Bank in areas such as the North-east of India. Testimonies from the states of Chhattisgarh, Karnataka and Goa support the research with first-hand accounts of the problems people have suffered due to World Bank-supported projects in this sector.

Chapter 31 describes how World Bank urban development programmes benefit developers at the cost of the urban poor. The World Bank-funded urban re-development scheme proposes to remodel 63 Indian cities in a capital- and energy-intensive fashion. This project is based on World Bank policy recommendations via Analytical Advisory Assistance (AAA).[48] This development framework has been largely pushed by corporate and real estate lobbies in order to create profit streams for foreign direct investment, foreign institutional investment and multinational corporations. In the process, it provides a renewal of facilities and services for the urban elite, who control access to decision-making. Presentations in this section show how many hundreds of thousands of people continue to be dispossessed and displaced in cities under JNNURM and previous World Bank urban development projects, with unacceptable rehabilitation or none at all. They also describe the process implications of the programme, which are disenfranchising local elected bodies and handing over decision-making to private companies.

In Chapter 32, Vanessa Peters and R. M. Alvino demonstrate how the World Bank acted as a broker for the private sector, which used the tsunami of 2004 as an opportunity to displace local residents from high-value land resources and to privatise the fishing industry. She describes how the World Bank's Emergency Tsunami Recovery Project works in unison with the existing World Bank Tamil Nadu Urban Development Project in appropriating coastal lands for private land developers. Her research contends that these projects have ruined many small-scale fishermen and peasants and continue to result in the massive dispossession and displacement of people. She depicts the struggle of the displaced, many of who are Dalits, minorities or tribals, who live in absolute poverty with extremely limited access to education, adequate sanitation and decent housing. The essay provides scathing testimony on the relationship between the World Bank and private capital and how that relationship impacts those already suffering under terrible circumstances.

Part VII looks at key areas of the World Bank's environmental policy. The World Bank has been arguably the planet's greatest threat to environmental stability.[49] Bank projects that have cut down forests have done enormous ecological damage the world over. It is now known that 20 per cent of greenhouse gases have come from deforestation, which is more than the entire transportation sector.[50] The current strategy of replacing forests with monoculture plantations such as eucalyptus is a profit-driven strategy, which dispossesses tribal people from critical sources of food and fodder. The energy-intensive development projects the Bank promotes in agriculture, urban development and infrastructure are antithetical to a sustainable way of life. The Narmada Valley project[51] alone shows the scale of ecological and human disaster wrought by World Bank projects and development policies. The fact that the World Bank pulled out of this project and the project continues under government sponsorship exemplifies the Bank's functioning. With a project lifecycle of ten years, closing in 1995, the World Bank has recouped its investment and the damage is continuing. Many other projects fail with less public attention and yet the Bank is repaid because the loans are backed by the government.

The Bank's relatively recent claims to being an institution supportive of environmental protection and sustainable development have been brought about by sustained pressure from environmental activists worldwide. However, these claims are contradicted by the projects it continues to invest in, the environmental policies it advocates and its contribution to the weakening of environmental legislation in India. This section will look at three aspects of World Bank environmental activism: how it has changed the country's environmental policy framework, its use of toxic materials and its carbon credit mechanism.

In Chapter 33, Manju Menon and Kanchi Kohli provide a detailed and historical account of the Bank's involvement in Indian environmental law and policy. Beginning in the 1990s, political and social pressure compelled the World Bank to set in place environmental safeguards. However, unable to meet their own environmental standards, projects began to face delays. According to Kohli and Menon, the World Bank solved these problems through changing laws and influencing environmental policy via lucrative consultancies and other honoraria paid to government policy-makers. Through these mechanisms, the essay attests that broad changes were brought about in India's Environmental Impact Assessment and the management of Coastal Regulation Zones. Impacts cited include weakening of environmental safeguards, removal of public participation in project decision-making and the opening up of coastlines for large-scale development projects.

In Chapter 34, Nityanand Jayaraman and Madhumita Dutta document how World Bank projects use toxic materials and obsolete technology in India. Their essay presents evidence that the Bank has deliberately financed the transfer of outdated and environmentally dangerous technology to India, including certain fertilisers, pesticides and waste treatment facilities. They present a case study on the Malaria Control Project that promoted the use of toxic pesticides, despite the availability of non-toxic alternatives, and diverted large sums of money to multinational chemical companies. Jayaraman and Dutta contend that the World Bank facilitates a market in toxic materials in India.

In Chapter 35, Praful Bidwai describes how the World Bank's carbon trading mechanism creates a profitable private market out of greenhouse gas emissions and prevents the development of effective solutions to the crisis of global warming. He explains how carbon credits operate, as well as the World Bank's key role in the new market. In addition to having developed the theoretical framework, the World Bank continues to facilitate the sector through the creation of new carbon funds, capacity building and by developing new financial instruments. Bidwai demonstrates how this illusory solution creates a barrier to real progress and substantive change.

The findings of the jury from the Independent People's Tribunal on the World Bank serve as the conclusion to this volume. The thirteen-member panel from the original event collectively rendered a verdict on the operations of the World Bank in India in the form of twenty-nine charges. The indictments range from increasing hunger in the country, to removing basic entitlements such as healthcare, to undermining democratic functioning. Demanding compensation for the victims of its policies and cessation of World Bank operations in the country, and insisting on reform of the policies of the Government of India as well, the verdict serves as both conclusion and summary of the evidence presented across the volume.

Most of the authors of this book, as well as the many others who participated in the Tribunal, are not seeking to change the World Bank. They are firm in their conviction that the World Bank must quit India. There are practical as well as symbolic reasons for this. Practically speaking, World Bank projects, which damage the environment and dispossess people, must obviously cease. This would reduce World Bank lending dramatically, if not stop it altogether. World Bank policy advice and technical assistance must also stop. Supporting capitalism in its neo-liberal form, these policies are having tragic consequences around the globe. These consequences are quite obvious to the majority not benefiting from this system.

But as the jury members of the Tribunal point out in the conclusion to this volume, the ideology of India's policy elite is nearly identical to that of the international financial community, the developed and powerful nations, and large capitalists. Therefore, shutting down the World Bank does not end the problem. The Government of India is equally culpable in each of the charges in this section. Because the Government of India conveniently uses 'international obligations' as an excuse to avoid people-centred policy directives, demanding World Bank withdrawal from India will send a symbolic and critical message that these policies, from whatever direction they originate, must stop. Shutting down the Bank will also issue a wake-up call to all the NGOs which have been convinced by the rhetoric, bought through the reward system of foreign funding, or discouraged in their work through all types of pressure.

The struggle is therefore with development policy and with historical capitalism as a form of social organisation. It is a battle against a 'developmental terrorism'[52] that is corporate-driven and based on the voting power of the rich in the market as opposed to democratic principles. This volume was written in solidarity with the movement that is taking place across India and all over the world to dislodge this imploding system, to widen democratic participation, and to decentralise and localise processes of growth. I believe we can find the unity to do just that.

20 September 2008

Notes

1. David Harvey, *A Brief History of Neo-Liberalism*, New York: Oxford University Press, 2005; David Harvey, *Spaces of Global Capitalism, Towards a theory of Uneven Geographical Development*, London: Verso, 2006.
2. See Ibid.; Immanuel Wallerstein, '2008: The Demise of Neoliberal Globalisation', *Monthly Review*, 2 February 2008; Susan George, 'Twenty Years of Elite Economics and Emerging Opportunities for Structural Change', Transnational Institute, http://www.tni.org/detail_page.phtml?page=archives_george_bangkok, accessed 24 December 2008.
3. The main political parties in India today are the Bharatiya Janata Party (BJP) and the Indian National Congress. The Communist Party of India, Marxist (CPI-M), leads the Left.
4. See the Development Dialogues Blog, which focuses on land acquisition policies in the Indian state of West Bengal, http://development-dialogues.blogspot.com, accessed 24 December 2008.
5. Harvey, *A Brief History of Neo-Liberalism*.
6. A 1999 paper by a World Bank staff member asks, 'Why should governments be involved in the provision of any good whatsoever?' The paper then proceeds to elaborate cases where the government might sufficiently correct a market failure. The paper assumes, first, that the private sector is the a priori best provider, and that second, even in cases of market failure, government provision must be proven to be a better substitute. Pedro Belli, 'The Comparative Advantage of Government: A Review', World Bank Policy Research Working Paper No. 1834, Washington DC: The World Bank, 1997.
7. Herman Daly was a senior economist in the World Bank's Environment Department from 1988 to 1994. He left the Bank in January 1994 over disagreements on economic policy, environmental policy and issues of internal censorship. 'Development, Economist has Parting Prescription for World Bank', Inter Press Service, 14 January 1994.
8. The first inhabited island to be submerged by rising sea levels was Lohachara island in India's part of the Sundarbans where the Ganges and the Brahmaputra rivers empty into the Bay of Bengal. The islands of Bedford, Kabasgadi and Suparibhanga have also sunk into the sea, making 6,000 families homeless. See: http://news.bbc.co.uk/2/hi/south_asia/3102948.stm, accessed 24 December 2008.
9. Also known as the 123 Deal, the bilateral agreement between the US and India regarding civilian nuclear cooperation ends three decades of US sanctions. The *Financial Express* provides highlights of the agreement, see http://www.financialexpress.com/news/Highlights-of-IndoUS-nuclear-deal/208405/, accessed 24 December 2008.
10. The World Bank Group is composed of the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Center for Settlement of Investment Disputes (ICSID). While the 'World Bank' generally refers to the two branches which loan to governments (IBRD and IDA), all five branches share the same decision-making authorities (president, board of directors and board of governors).
11. An example of how the US control over international financial institutions has been used for political leverage was demonstrated during the first Gulf War. In January 1991, against popular opinion, India allowed the US to refuel military planes in Mumbai en route to the Gulf, which significantly deviated from India's stance of nonalignment. While many

political reasons for this decision were involved, the record-speed approval of a US$ 1.8 billion IMF loan to tide India over a severe external payments crisis was not unrelated. See J. Mohan Malik, 'India's Response to the Gulf Crisis: Implications for Indian Foreign Policy', *Asian Survey*, Vol. 31, No. 9, September 1991, pp. 853–55.

12. Amit Bhaduri, 'The Imperative as an Alternative', *Seminar*, No. 582, 2008, pp. 74–81, http://www.india-seminar.com/2008/582.htm, accessed 24 December 2008.
13. The *Unorganised Sector Report* based on the National Sample Survey 61st Round (2004–5) is available at http://mospi.nic.in/mospi_nsso_rept_pubn.htm, accessed 24 December 2008.
14. Achin Vanaik, 'The Politics of Neo-liberalism in India', *International Socialist Review*, No. 33, January 2004, online edition, http://www.isreview.org/issues/33/vanaik.shtml, accessed 13 September 2009.
15. Arun Kumar, *The Macro View: Corporate Sector Led Growth and Growing Inequalities, Alternative Economic Survey,* New Delhi: Daanish Books, 2007.
16. The Gini coefficient is a number between 0, which represents complete equality, and 1, which indicates complete inequality (one person has all the income or consumption, all others have none). India's Gini coefficient rose from 0.25 in 1993–94 to 0.27 in 2004–5 in rural areas, and from 0.31 to 0.35 in urban areas over the same period. Amit Bhaduri, 'Predatory Growth', *The South Asian*, 10 March 2008, http://www.thesouthasian.org/archives/2008/predatory_growth_1.html, accessed 13 September 2009
17. Arun Kumar, *The Black Economy in India*, New Delhi: Penguin, 1999.
18. In 2007, India had 36 billionaires with a combined wealth of US$ 191 billion, compared to Japan's 24, worth US$ 64 billion. India was reported to have the fourth largest number of billionaires in the world. 'India Surpasses Japan with Largest Number of Asian Billionaires', *Associated Press*, 9 March 2007.
19. This list is not exhaustive. As of 2005, an estimated 40 million people have been displaced since 1950 on account of development projects (power projects, dams, mines and industries). Of these, nearly 40 per cent are adivasis and 25 per cent are Dalits. Seventy-five per cent are still awaiting rehabilitation. *Advocacy Update on Land Rights*, Issue 18, Pune: National Centre for Advocacy Studies, 2005. In 2006, the state of West Bengal leased 997 acres of land to Tata Motors despite resistance from local farmers. Police response to protests in the area has included the burning of houses and physical beatings of men, women and children. 'How Cops "Controlled" the Protest', *The Statesman*, 2 December 2006.
20. Land in India, under the Constitution, is considered a state subject, which is creating 'a race to the bottom' through state government land acquisition for the benefit of the corporate sector. Bhaduri, 'The Imperative as an Alternative'.
21. Vinod Raina, 'Policy Coherence and the International Financial Institutions', presented at the Independent People's Tribunal on the World Bank in India. The video presentation and transcript are available at the World Bank Tribunal website, http://www.worldbanktribunal.org/coherence.html, accessed 24 December 2008.
22. Ibid.
23. Wolfgang H. Reinicke, 'The Other World Wide Web: Global Public Policy Networks', *Foreign Policy*, No. 117, Winter 1999–2000, pp. 44–57, 47.
24. Consultative Group on International Agricultural Research, *Annual Report, Executive Summary*, http://www.cgiar.org/publications/annual/pub_ar2007/pdf/08executive_summary.pdf, accessed 24 December 2008.

25. Eran Binenbaum, Philip G. Pardey and Brian D. Wright, 'Public-Private Research Relationships: The Consultative Group on International Agricultural Research', *American Journal of Agricultural Economics*, Vol. 83, No. 3, August 2001, pp. 748–53.
26. Devinder Sharma, 'Agricultural Research: CGIAR Turns to Outsourcing', *InMotion Magazine*, 9 May 2004.
27. Katherine Sierra was named as World Bank Vice-President for Sustainable Development in July 2006.
28. Consultative Group on International Agricultural Research, 'Who We Are: Chair', http://www.cgiar.org/who/chairman.html, accessed 24 December 2008.
29. US Department of Agriculture, 'Fact Sheet: U.S.-India Knowledge Initiative on Agricultural Education, Teaching, Research, Service and Commercial Linkages', 18 July 2005. Distributed by the Bureau of International Information Programs, US Department of State, Washington DC.
30. The Press Trust of India, 'India, US Forge Agri Cooperation Ahead of Bush's India Visit', 12 November 2005.
31. For a summary of Monsanto's historical operations, including its creation of Agent Orange, see the SourceWatch encyclopaedia at: http://www.sourcewatch.org/index.php?title=Monsanto
32. 'Knowledge Initiative Bad for Farmers', *Down to Earth*, Vol. 16, November 2007, http://www.downtoearth.org.in/full6.asp?foldername=20071130&filename=croc&sec_id=10&sid=1, accessed 24 December 2008.
33. PPIAF, 'About Us', http://www.ppiaf.org/content/view/35/62/, accessed 24 December 2008.
34. Transnational Institute, 'Public–Private Infrastructure Advisory Facility', The Facts 2007. http://www.tni.org/detail_page.phtml?&&act_id=16778, accessed 24 December 2008.
35. Ibid.
36. All of the presentations from the forum are being made available at http://www.worldbanktribunal.org/issues.html, accessed 24 December 2008.
37. The FCRA is an Indian law that gives the government regulatory power over the acceptance and utilisation of all foreign funds through donations, gifts or grants.
38. Arun Kumar, *The Macro View*; Bhaduri, 'The Imperative as an Alternative'.
39. Bhaduri, 'The Imperative as an Alternative'.
40. World Bank, 'World Bank Group Presidents', http://go.worldbank.org/R212DQ7AF0, accessed 24 December 2008.
41. The World Bank, under pressure from the US Congress and civil society groups, formed the Inspection Panel in September 1994. It investigates complaints regarding World Bank policies and procedures. See www.inspectionpanel.org, accessed 24 December 2008.
42. The Compliance Advisor Ombudsman (CAO) Office aims to address complaints from those affected by the projects of private sector agencies within the World Bank Group: the IFC and Multilateral Investment Guarantee Agency (MIGA). http://www.cao-ombudsman.org, accessed 24 December 2008.
43. World Bank, *World Development Report 2008: Agriculture for Development*, Washington DC: The World Bank, 2007, p. 237. Prior to the food security crisis, many World Bank documents have highlighted the fact that India's food security needs have been met by the Green Revolution.
44. Full text is available at http://go.worldbank.org/S4W5OYG7L0, accessed 24 December 2008.

45. The largest research group promoting biotechnology is the Consultative Group on International Agricultural Research (CGIAR).
46. Nancy C. Jurik, 'Imagining Justice: Challenging the Privatization of Public Life', *Social Problems*, Vol. 51, No. 1, February 2004, pp. 1–15, 2.
47. 'Plan to Outsource Vision Document Work Draws Flak', *The Hindu*, 1 February 2008, http://www.hindu.com/2008/02/01/stories/2008020161830400.htm, accessed 24 December 2008.
48. Sectoral research studies undertaken by the World Bank's economic research wing (within the Development Economics Vice-Presidency). These studies form the basis of policy recommendations made by the Bank.
49. This overview has been in large part extracted from the presentation of Bittu Sahgal (editor of *Sanctuary Magazine*) at the Independent People's Tribunal on the World Bank. His presentation can be found at: http://www.worldbanktribunal.org/bittu-sahgal.html, accessed 24 December 2008.
50. Greenpeace Australia Pacific, 'Forest and Climate', Fact Sheet, 2008, http://www.greenpeace.org/raw/content/australia/resources/fact-sheets/climate-change/forests-and-climate.pdf, accessed 24 December 2008.
51. The Narmada River Development Sardar Sarovar Dam and Power Project began development on hundreds of dams on the Narmada river in the state of Gujarat. One of the largest social movements in contemporary India emerged in response to this project. For more information, see the Friends of the River Narmada, http://www.narmada.org, accessed 24 December 2008.
52. Bhaduri, 'The Imperative as an Alternative'.

I

The World Bank's Role and Functioning

1

The Economic Aspects of World Bank Activities in India

ARUN KUMAR

My submission to this forum focuses on the economic aspects of the activities of the World Bank, with particular reference to India. It examines the philosophical and the theoretical aspects of World Bank policies and what makes these policies acceptable in the countries where they are implemented. While highlighting the fundamental character of the World Bank and its activities, I would also like to present how they have impacted government policies and through that the Indian people (in the past as well as in the future).

The philosophy underlying World Bank activities is no different from that of the ongoing process of globalisation. Not only does the World Bank push globalisation, it has over the years become more and more deeply involved in it and has become an integral part of it. This agenda is pushed forward by promoting the market in every aspect of social functioning and coincides with the interests of capital. For the developing world, and more specifically for India, the current process of globalisation may be characterised as one-way globalisation, with all influences on society determined from outside by the advanced capitalist countries. It needs to be clarified that while markets have existed for a long time, the process of marketisation of social processes is more recent. This process is having a deep impact on societies all over the world and especially in the developing world, which is largely unprepared for it.

Underpinning this process is an attempt by capital to control global resources. Iraq is a prime example, where the US has pushed its interests to control oil resources, but this is only one example of what is happening all around the world. There is an attempt by capital to control resources and to do that it creates markets where they did not exist earlier. So, whether it is beaches or water or other things, new markets have been created so that capital can gain control over the resources that until now were common to all and rightfully belonged to local communities and the people.

Let us analyse the ideas and principles which underlie this process of marketisation. Globalisation has not started recently but is a longstanding process that has gone through several phases. The present phase of globalisation is only one link in a chain going back a long time and is characterised by marketisation. What we witness in the current chapter is a process that begins from the mid-1970s. Once it was clear that the Soviet Union could not provide an alternative to the developing world and that China had taken a 180-degree turn, the advanced capitalist countries started pushing their agenda more vigorously than before. For instance, the US urged that agriculture be included in the 1986 General Agreement on Tariffs and Trade (GATT) negotiations at Puenta Del Este, Uruguay. Other new issues such as trade in services (General Agreement on Trade in Services, GATS), Trade Related Investment Measures (TRIMs) and Trade Related Intellectual Property Rights (TRIPs) were also introduced in the negotiations. So, in other words, the process of marketisation was being expanded, and, as suggested above, it underlies the process of globalisation that we see today. That is why it is important to understand some of the ideas and principles that underlie the process of marketisation, how they capture our imaginations and how they have affected us.

The first principle of marketisation is what Paul Samuelson called the 'dollar vote';[1] that is, the one who has more dollars has more votes, and the one who has fewer dollars has fewer votes. The dollar vote which plays out in the market is not the principle of one person-one vote that governs democratic society but is rather based on how much purchasing power one has.

The second idea in this context is 'more is better', namely, the welfare of individuals is defined in terms of consumption. If I have a second shirt, then I am better off than if I have one shirt. If I have a second house, then I am better off than if I have one house. This idea underlies consumerism with people trying/aspiring to consume more and more. Conservation and environmental protection have suffered as a consequence. Sacrifice is a non-starter and a value to be shunned. Thus, green movements and the dangers of global warming have remained at the margin until now.

The third principle is the idea of 'consumer sovereignty', which underlies neo-classical economics. It means the consumer is sovereign. There should be no interference with what a consumer wants; other things do not matter. Allocative efficiency and consumer sovereignty are interlinked through the idea that when whatever the consumers want takes place in the market, efficiency prevails. When it is argued that markets are 'efficient', the implication is that what the consumers demand, the markets provide. Thus, in the context of the market one is predominantly referring to allocative efficiency rather than productive efficiency. Further, this preserves the status quo since it is based on and consistent with any level of inequality in society. If one has more and wants more and the market caters to that, then there is 'efficiency'. If one has the money to buy a jet and wants to do so, then this should be allowed; and if another person does not have money to buy food, then so be it; the market would be said to be 'efficient'.

Fourth, there is the notion that people are 'homo-economicus'; that is, they are predominantly driven by economic concerns, while other things like social and cultural issues do not matter. Therefore, one of the rationalities used for defining modern economics is the idea of profit-maximising individuals. Everybody is supposed to be continuously maximising their gains as their primary motivation in life. Increasingly, our actions seem to be based on this notion.

Finally, there is the push for the creation of property rights where they did not previously exist. This is marketisation—a push for 'efficiency'—and is based on the notion of profit-maximising individuals.

Now let us analyse the consequences of some of these principles. First, there is increased marginalisation of the marginal due to the 'dollar vote'. If an average US citizen has seventy times the income of an average Indian citizen, then one US citizen in the market equals seventy Indian citizens. Since we are supposed to be homo-economicus and only economics counts, economic muscle dominates in all the institutions of global governance to the advantage of the US and the other advanced countries. This is the source of rising global, national and regional inequity. In the Indian context, advanced Indian states are growing at 8 per cent and the backward states at 4 per cent.[2] Therefore, inequity is growing nationally and regionally in India. And, if one looks globally, there are rising inequities as well.

Second, 'more is better' negates the idea of restraint or sacrifice. If more is better, then why sacrifice? If more is better, then consume more. As a result, social concerns become unimportant while individual concerns are of paramount importance.

Consumer sovereignty means individuals decide what happens, social concerns are a check on that and, therefore, should be minimised. Taking social stands goes against the idea of 'efficiency' and should be avoided. Feeling guilty at taking a socially incorrect stance becomes only a cost to a profit-maximising individual. Therefore, one need not feel guilty about one's actions but rather the individual should do what is best for his or her self. Enjoy and be happy and forget social costs or social concerns.

Further, due to these ideas, no distinction need be made between luxury goods and essential goods. All goods and services are goods and services. They are on the same plane. You can import a Mercedes Benz car if there is demand for it or you can import food grain. But if there is little demand for food grain because people are poor, then that does not matter; Indian farmers need not produce so much food grain. If there is more demand from Europe for horticulture, pisciculture and floriculture, then more of these things need to be produced in India and Indian agriculture needs to undergo a cropping pattern shift and, therefore, change its basic character even if people go hungry.

Since people are homo-economicus, purely economically determined, other things do not matter, and therefore policy is focusing more and more on the economic aspects of society. In our own individual or collective discussions, we increasingly focus on the economic aspects of problems and talk of gains and losses and marginalise other social and cultural considerations. As a consequence of this kind of marketisation and commercialisation, the supply of the free goods of nature has decreased. Earlier there was an abundance of the free goods of nature which used to make poverty less harsh. In rural areas, the poor could access vegetables and fruits from fields and village commons, but now that has considerably declined because of marketisation. Wealthier sections of society also used to give buttermilk for free but that is no longer so. Therefore, poverty has become much harsher to bear.[3]

The unquestioning internalisation of these philosophical underpinnings and principles has led people to accept markets as objective and society as subjective. Consequently, the outcome of the market is preferred to what society may want. That is why markets are advancing and society is in a state of retreat. Social stands need not be taken and society can be amoral and immoral. No stand need be taken to correct this or any action taken to resolve other market-related problems of society. An extreme consequence of this view was reflected in Larry Summers' World Bank memo of December 1991. Dr Summers was the Chief Economist of the World Bank at the time. This internal memo was reported in the London *Economist* (8 February 1992). In the document it was argued that polluting industries should be relocated to the developing world because after all a death in a developing country is less expensive than a death in an advanced country. This is the pure functioning of the market where people are not valued. It is purely their market value that determines their worth.[4]

There is growing individualisation. There is alienation. Collectivity and collective action are increasingly becoming difficult because of the processes of individualisation and alienation. Getting an overview of any problem becomes impossible because the market splits up every problem into its own separate components. For instance, recently in India it has been argued that food security is not a problem because accumulated foreign exchange reserves mean India can import food. India need not worry about food at all. What this ignores completely is that food is not just a question of consumption of food but it is also associated with livelihood. It is also associated with the social and the cultural milieu of the country. It is precisely for this reason that Japan opposes opening up of its agriculture because it says agriculture in Japan is tied up with its culture. Therefore, what is happening is that understanding or discussing an overview of any problem becomes impossible because we think within a limited and fragmented framework.

The global market is the biggest market and therefore globalisation is a natural outcome of the process of marketisation and is supposed to result in maximum 'efficiency'. However, as stated earlier, globalisation is not a recent phenomenon but a longstanding process; it has been going on for thousands of years. When the British set up railways in India, it was globalisation. When India started using English as a language, it was also a process of globalisation. As already mentioned, the present phase of globalisation, beginning in the mid-1970s, is distinct from the earlier phases due to the process of marketisation. It is in this period that the role of the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO) has sharpened and taken its own explicit form. These institutions provide the smokescreen for the real intentions of the advanced capitalist countries, who want to dominate the development agenda in order to capture the resources of the developing world for their own long-term needs. Between 1945 and 1975, the Soviet Union provided an alternative so that policies were couched in softer language and intentions were not clarified.

Now, let us look at some of the other social and political consequences of this kind of globalisation based on marketisation and pushed through by the World Bank. Because there is increased marginalisation of the marginal based on the 'dollar vote', democratic institutions suffer and people's voices go unheard. The World Bank, IMF and WTO propose policies which impact people but the people have no voice in these institutions. Indian legislatures do not discuss some of these policy changes and this is often justified on the plea that there are international obligations which have to be respected. Therefore, many policy changes do not go through legislatures where people's voices have a chance of being heard. Consequently, India's democratic institutions have been undermined as the process of marketisation makes inroads into the national economy.

In the context of this process of marketisation, individuals are seen to be responsible for their own problems and society's responsibility towards them stands reduced. The individual is expected to go to the market for solutions. In 1947, when India gained independence, the idea was that problems such as unemployment, ill health and lack of education had an underlying social basis and were social problems. Therefore, the State was given a large role by society to tackle them. But post-1991,[5] with the implementation of the New Economic Policies (NEP) at the behest of the IMF and the World Bank, it was suggested that these were individuals' problems. So, individuals have to go to the market to resolve these problems. Focus has shifted from social action to individual action. But this shift ignores the substantial literature on market failure and the 'Second Best'.[6] Markets fail and do so dramatically. The economic literature is full of cases of market failure. In contrast, current policy literature paints an ideal picture of the world where markets work perfectly and this is called 'First Best'. In essence, 'First Best' solutions are imposed on a 'Second Best' world where they will not lead to 'efficiency', the goal of the policies of marketisation.

Economics underlies World Bank prescriptions and a so-called 'Washington consensus' emerged in the late 1980s. John Williamson's ten points of this consensus, which he outlined in a 2002 speech, together cover almost the entire economy.[7] In other words, when these policies are implemented, it is an attempt to change the structure of the whole economy and to change it in such a way that it is to the benefit of capital and the advanced capitalist countries that own most capital and dominate its processes. Therefore, in India, starting 1991, there has been an almost complete policy overhaul in banking, agriculture, the industrial sector, etc. A Policy Change Matrix, which was first published in the *Alternative Budget* of 1994[8] indicates the range of proposed changes and it is clear that almost all aspects of the economy came under discussion and planned transformation.

In this sense, the World Bank is not like a normal bank. A normal bank would not/ cannot impose these kinds of overarching conditions. The World Bank actually curtails the sovereignty of countries through conditionalities. There are approximately 126 agreements and appraisal reports between 1991–92 and 2005–6. I reviewed the loan conditionalities contained in these agreements and appraisal reports from the World Bank. A sample of twenty-two of these reports documents the sweeping policy reform conditions contained in World Bank packages. In one agreement between the World Bank and the Government of Andhra Pradesh, it was suggested that the Reserve Bank of India Act (1934) be amended. In another loan to the Andhra Pradesh government it was mentioned that value added tax be introduced. Yet another agreement suggested that the Coal Nationalization Act be changed. Almost the entire policy framework that existed pre-1991 came under the threat of change and a large number of very specific amendments in various laws were proposed. We found that it was possible to organise almost all of these changes within the ten-point agenda. This data suggests that an overhaul of policies was being pushed through in India after 1991.

The World Bank in India is claiming to play the role of knowledge generator and provider and this is mentioned in the India Country Strategy.[9] In this report the World Bank essentially says, 'We know what is best. We will tell you what will work in India and therefore you have to do this', and this is the underlying reason why policies are being changed in such a significant way.

India has witnessed the growing influence of the World Bank and this goes back beyond 1991 to the mid-1970s. During the Emergency years, large numbers of 'experts' from the World Bank were brought into important policy-making bodies in the Government of India, Reserve Bank of India (RBI), and so on. Prashant Bhushan discusses the so-called 'revolving door' policy that has been pursued by the World Bank, IMF and the Asian Development Bank (ADB) (which is actually an Asian entity but a part of this structure).[10]

The World Bank has been directly affecting specific policies as shown in the 'Executive Summary' of the World Bank Report of November 1990 which was prepared for the Government of India.[11] In this document there are two simulations: one suggests currency devaluation of 13 per cent, the other suggests currency devaluation of 22 per cent. It also suggests a very specific cut in the fiscal deficit. Seven months later when the policy was launched in June 1991, the extent of the devaluation of the currency was exactly 22 per cent. The figure for the fiscal deficit and its proposed reduction mentioned in the budget was exactly as proposed by the Bank.

The ways in which the Bank impacts the country are two-fold. The first is through specific policy changes as mentioned earlier. The second channel is through changes in decision-making processes and structures; that is, the undermining of decision-making processes. Manmohan Singh's 1988 statement when he was Secretary of the South Commission demonstrates that India's policy-makers knew very well the consequences of the policies of the World Bank. He said, 'Grave doubts exist concerning the theoretical validity of some of the key prescriptions now involved in conditionality. Their economic and social effects have in a number of cases been highly adverse.' He further stated, 'Insistence on free trade irrespective of country conditions has led to many conflicts with national development strategies.'[12] Hence, it is not that Singh did not know in 1991, when these policies were being launched in India, what the impact would be on the country and its people.

The World Bank propagates the idea in nations it funds that they do not have enough resources and this is why they need to give concessions to foreign capital. So the question is, why does India continue to borrow from the World Bank when it has over US$ 200 billion of reserves (as of September 2007)? Actually, India has an excess of foreign exchange reserves, which is creating a problem of excess of liquidity and the RBI is worried about this situation. One may ask whether the political authority is weakening itself deliberately in order to push the interests of capital. As long as the government can say the country is economically weak due to resource shortage, it becomes legitimate to accept the conditionalities imposed by the World Bank, IMF, etc., and further it becomes acceptable that India must implement them because these are international conditionalities. In other words, when the political authority borrows abroad or allows foreign liabilities to increase by letting capital flow in (even though it has very large foreign exchange reserves), it is because the government wishes to continue to follow the conditionalities of the World Bank and IMF. This is to thwart pressure for a more pro-people set of policies. It is a deliberate ploy of capital to weaken the state and this suggests that today globalisation is the globalisation of the elite. The elite of the country want to globalise with the international elite and Indian capital wishes to globalise with multinational capital. It wants to link up with that capital even as a junior partner.

The policies that are being followed today are based on 'growth at any cost', with all costs falling on the marginalised sections of society. The *Alternative Economic Survey* of 2007 shows the nature of the growing inequity in the Indian economy.[13] The corporate sector, which is controlled by less than 0.1 per cent of the population, has tripled its share of the GDP in the last six years. In 2000–1, corporate profits were 6 per cent of GDP which rose to 21 per cent of the GDP in 2005–6. Since 90 per cent of corporate profit goes to the corporate sector and foreign institutional investors, their share of GDP has become 18 per cent. This means that less than 0.1 per cent of the population now gets 18 per cent of GDP. Further, 60 per cent of people dependent on agriculture used to earn 21 per cent of GDP in 2000–1, but now they earn 17 per cent of GDP. Therefore, the incomes of less of than 0.1 per cent of the population are greater than the incomes of 60 per cent of those who depend on agriculture. This depicts the extent of growing inequity in the Indian economy. This needs to be taken note of because it is the 'growth at any cost' policies that are adversely affecting the marginalised sections of India's population, and they are protesting vehemently, whether they be farmers, workers, artisans or tribal communities.

The aforementioned arguments suggest that markets are not the solution to the problems of the vast bulk of India's population. One can see in the recently published report of the Unorganised Sector Commission (2007), 77 per cent of India consumes per capita less than half a dollar per day and 96 per cent of India lives on less than US$ 1.2 per capita per day.[14] Poverty seems to be entrenched and hardly declining.

An important issue in the context of World Bank policies is the privatisation of the public sector. Kalecki in his article on the political economy of full employment makes three broad points regarding the nature of public-sector intervention and why privatisation is important in order to prevent the erosion of the interests of capital.[15] What privatisation does in terms of the larger social, political and economic agenda is to generate a momentum which then becomes difficult to reverse. This is one of the key aspects of World Bank policies that need to be understood. For instance, an inefficient public sector is a very good advertisement for the continuation of the private sector and this mutes any demand for nationalisation of business.

A paper by Dreher in 2002[16] showed that there are cross-conditionalities between the Bank and the IMF. The IMF requires certain conditionalities of the Bank to be fulfilled; the World Bank requires certain conditionalities of the IMF to be fulfilled. Hence, as attempted in the Alternative Budget, there is a need to analyse the conditionalities of the World Bank and the IMF together to understand the full impact of these policies on the entire economy.

The economic impact of the World Bank (and IMF) policies was extensively discussed in the Alternative Budget.[17] The process of formulating the latter document as a vehicle for alternative policies started in early 1992. It became immediately clear that poverty would be greatly aggravated as a result of World Bank policies and that inequity would rise. It was shown in 1993–94 that food availability per capita was declining. It was suggested that employment elasticity would fall and small-scale sector reservation would become ineffective. Further, the fiscal situation, agriculture, food security and cropping patterns would be adversely affected. The role of the government would have to be reduced and the finances of state governments and local bodies would come under pressure, decreasing capacity to intervene in the market on behalf of society. It needs to be remembered that the latter bodies, and not the Central government, constitute the first level of intervention. It was shown that the impact on social sectors such as education and health would be adverse and, therefore, the living conditions of the poor would deteriorate.

Another study shows that after privatisation of health in Kerala, costs went up substantially for the poor.[18] If one looks at the various deciles, the cost of health for the top deciles went up by 220 per cent but the cost for the bottom deciles went up by 750 per cent and the cost for the next deciles from the bottom went up by 1100 per cent. Rising costs due to the privatisation of health adversely affected poorer segments rather than the richer segments of society. Even though the government argues that poverty has declined in terms of mone tary, income, this is not the correct way of looking at it, given the rise in costs of services such as education and health.

As pointed out by Kumar[19] (2006), the wholesale price index and the consumer price index do not fully capture the true price increase of services where the privatisation process has made a big impact on the cost of such services. So, if corrections were applied to take this into account, poverty would turn out to be much higher than what the government claims it to be.

The impact of privatisation on industries and the changes in policies for small-scale industry have resulted in a changing pattern of production. In fact, in both agriculture and the industrial sector the pattern of production is changing to cater to the needs of European and American markets. Call centres and business process outsourcing (BPO) are basically a response to the demand of these overseas markets. There is an emerging international division of labour where cheap and intermediate goods are provided from the developing world and the advanced world produces more developed and high-technology items.

Environmental degradation is yet another impact of these policies in the developing world in general and for India in particular. Recycling of plastics, computer waste, hospital waste, etc., is increasingly taking place in the developing world. The environment in India, Bangladesh and China is particularly affected by some of these activities.

In conclusion, one may say that due to the fact that the current phase of globalisation is based on the process of marketisation, there is increased marginalisation of the marginal and this works at all levels: international, national and local. It has been pointed out here that the Indian elite wish to join the global elite and, therefore, they are willing to give concessions to international agencies, like the World Bank. Political choices are narrowing because the Indian elite ruling classes, whether they are of the United Progressive Alliance (UPA), Left Front or the National Democratic Alliance (NDA) variety, have been pushing the same agenda since 1991, under pressure from advanced countries and multilateral agencies like the World Bank. The interests of the people of India are barely represented by the political process and the parties that dominate this process. As a result, the ruling class does not mind pushing the anti-people policies suggested by agencies such as the World Bank. Democratic institutions are weakened with the loss of sovereignty, and people's capacity to resist what the elite are trying to push through is adversely affected. Such marginalisation of the people is resulting in their impoverishment in various ways.

Notes

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2. Reserve Bank of India, *Handbook of Statistics on the Indian Economy*, Mumbai: Reserve Bank of India, 2008.
3. Arun Kumar, 'Freedom from the Perspective of the Poor', *Mainstream Weekly* August 1997.

4. 'Let Them Eat Pollution', *The Economist*, No. 7745, 1 February 1992, http://www.counterpunch.org/summers.html, accessed 25 May 2008.
5. In 1991, India received a World Bank Structural Adjustment loan that made sweeping changes to the national policy framework. World Bank, 'Structural Adjustment Loan and Credit Project, Loan Agreement, Schedule IV', http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P010389, accessed 25 May 2008.
6. The 'Theory of Second Best' is based on the idea that markets fail and affect each other. This suggests that 'efficiency' cannot be achieved by the market on its own without the intervention of the government. It is contrary to the free market philosophy that suits the needs of capital and the advanced countries.
7. John Williamson, 'What Washington Means by Policy Reform', in *Latin American Readinstment: How Much has Happened*?, ed. John Williamson, Washington: Institute for International Economics, 1989.
8. 'Proposals for a Citizens Union Budget for the Nation for 1994–95. An Alternative to the Fund-Bank Dictated Union Budget for 1994–95', mimeograph, presented to the Citizens' Committee on 12 February 1994 at Gandhi Peace foundation, New Delhi.
9. World Bank, '*Country Strategy for India 2005–8*', Washington DC: The World Bank, 2004, http://go.worldbank.org/BF2U4XMT20, accessed 16 August 2009.
10. See 'The Revolving Door of the World Bank' in the current volume.
11. 'World Bank Suggestions on Economic Reforms', *Lokayan Bulletin*, Vol. 9, No. 6 1991, p. 41.
12. George Fernandez, 'A Statement on Industrial Policy', *Lokayan Bulletin* Vol. 9, No. 6 1991.
13. *Alternative Economic Survey 2007*, New Delhi: Daanish Books, 2007.
14. National Commission for Enterprises in the Unorganized Sector (NCEUS), *Conditions of Work and Promotion of Livelihoods in the Unorganized Sector*, New Delhi: Ministry of Small Scale Industries, Government of India, August 2007, p. 5, http://nceus.gov.in/Condition_of_workers_sep_2007.pdf, accessed 25 may 2008.
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17. A. Kumar, 'Proposals for a Citizens Union Budget for the Nation for 1994–95. An Alternative to the Fund-Bank Dictated Union Budget for 1994–95', Mimeo, presented to the Citizens' Committee on 12 February 1994, Gandhi Peace Foundation, New Delhi. Prepared for the Preparatory Committee for Alternative Economic Policies.
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19. Arun Kumar, 'The Flawed Macro Statistics: Overestimated Growth and Underestimated Inflation', in *Alternate Economic Survey, India 2005–06: Disempowering Masses*, Alternate Economic Survey Group, New Delhi: Daamish Books, 2006, pp. 29–44.

2

The Midwives of Corporate Totalitarianism?

The Political Economy of the World Bank in Historical Perspective

ASEEM SHRIVASTAVA

> They no longer use bullets and ropes. They use the World Bank and the IMF.
>
> —Jesse Jackson[1]

Much More Than Just a Bank

Consider this. There is a *mahajan* in a certain village who makes financial advances to small farmers in the sowing season at the start of the crop cycle. The farmers can grow whatever they wish and at the end of the cycle, harvest the produce, sell the crop and start returning the moneylender's loan in instalments. It turns out one year that the crop fails and the farmers are not able to service the debt. The rich *pradhan* of the village steps in. His son is in a position to 'bail out' the farmers. But while promising to do so, he exacts a price. If in any year the farmers are not able to service the debt (perhaps because they get poor prices for their produce in a market where the pradhan's other son is the principal buyer), the pradhan's son will continue to support the farmers only if they allow him to sell them seeds, decide which crops they will plant next time and buy fertilisers and pesticides from the pradhan's cousin's shop. The farmers are forced to accept the bargain. The price of their produce continues to drop in the following seasons, they fall deeper into debt and have to contract new loans to service the old debts. As they find themselves in a debt trap, they soon have to turn in their land, since it was always the collateral for the loan. They become wage-labourers on their old fields. The crowning cruelty of the arrangement is that since their debts are still outstanding, they are put on a strict consumption regimen, which restricts how much they can eat and spend on medicines and their children's education.

It is a familiar story around India and we are quick to notice the exploitative character of the rural moneylenders. But for some reasons we fail to take note of the same truth when 'conditionalities' are applied on national economic policies by officially multilateral institutions like the World Bank and the International Monetary Fund (IMF).

If one is to put in perspective testimonies about the impact and consequences of the World Bank's policies in India, it is essential to grasp the salient aspects of the history of this influential institution. When most people hear the name of the World Bank, an immediate mental reflex calls to mind the image of a very big bank. But is the World Bank merely a very big bank?

Institutions change roles and character over time and one cannot understand their functioning, impact and consequences without keeping in view their nature and origin: the historical circumstances and world view which gave birth to them. This would be true of any institution anywhere. It becomes a compelling necessity when the entity under review is no less than the World Bank, an institution of formidable global power in the present phase of history. Along with the IMF and the World Trade Organization (WTO), it constitutes a key pillar of the shadow state which has come to preside over the world economy in the era of corporate globalisation. In a decolonised, free world of nation-states, how did a *bank* come to have such power over the destinies of scores of autonomous countries? For what purpose was it created? What purpose does it serve now?

These questions are most pertinent and deserve our close attention. A failure to address them honestly will only compound the many problems that have been created for the world's impoverished peoples by such institutions. These questions are tackled in this brief review. To enable smooth understanding, I have divided the history of the World Bank chronologically into five distinct periods, each typified by the introduction of a definite tone of policy-making, leading to successively more powerful roles for the institution, with impacts on impoverished peoples more pronounced each time. Since the policies of earlier periods are usually still in place (sometimes only in the fine print), the division into five periods is cumulative, so that apart from the first period (1944–68), all succeeding periods are open-ended in time. We do not know until what point of time in the future the policies will remain functional.

The historical background is essential to grasp the expanding role of the World Bank (and the IMF, its twin institution) in the making of economic policy, as well as in the choice, design and implementation of development projects in poor countries like India.

1944–68: The Conservative Banker

CRAFTING THE IDEOLOGY OF DEVELOPMENT

It has become a commonplace for virtually everyone today to speak of the problems of impoverished nations in terms of the notion of development, though what is meant by it varies enormously. Things were not always like this. When Europe still ruled the world in the first half of the last century, starvation, malnutrition, poverty and unemployment were all present in the colonies, but no one thought of addressing them in terms of the development discourse. This only became normal by the last third of the twentieth century. During the age of imperialism, colonial officials deployed ideologies of 'improvement' to justify forced labour or even slavery.[2] It is therefore well worth inquiring—especially since the institution under review is the world's pre-eminent advocate of economic development—briefly into the geo-political circumstances in which the ideology of development was born.

For several centuries, the West has dominated the world in which we live. Although Asia, Africa and Latin America are formally free of European colonialism today, Western domination continues to remain an obstinate fact in virtually all spheres of life. In fact, a very good case can be made in support of the view that if anything it has become further entrenched in the last half-century, thanks to advances in technologies of control and destruction and to economic imperialism having become more insidious and culturally invasive.

The Great Depression of the 1930s and World War II (1939–45) brought big changes to the imperial geography of the world. The US became the ascendant power as European colonialism began to recede after the war. Among many other things, the notion of economic development was introduced and gained currency by the mid-1940s. Even before the moment when the US entered World War II in December 1941, American President Franklin Roosevelt signed the Atlantic Charter with British Prime Minister Winston Churchill. Up for discussion between the two powerful leaders was the shape of the world after the end of the war. They agreed, referring to what were then colonies, dominions or protectorates of Europe, that 'minor children among the peoples of the world' be placed under the 'trusteeship' of the 'adult nations'. Further, in language which sounds ominously chilling in retrospect, it was agreed that all nations were to have 'access on equal terms to the trade and to the raw materials of the world which are needed for their economic prosperity.'[3] It was tacitly evident to the two leaders which the prosperous nations were and whose raw materials they had in mind. It must also have been clear that 'equal terms' of trade were going to be determined by the already wealthy and powerful industrialised nations (in other words, not allowing the impoverished world to protect their industries or agriculture as the enriched, affluent countries had themselves done during their early stages of industrialisation—or in many cases still do today).[4]

President Truman gave a message similar to that contained in the Atlantic Charter, in his inaugural address in January 1949. In an influential formulation of what has come to be called 'Point IV Imperialism' by historians, Truman announced a new programme for the 'growth of underdeveloped areas'. Point IV in Truman's address was the US strategy for 'shaking loose the colonies' from the European stranglehold after World War II by offering poor countries the prospect of economic development.[5]

What if private investors from the West were not keen to invest in poor countries? What kinds of 'guarantees' could be given to the investing corporations to tide over inevitable risks? What if people in the colonies did not want 'development' as powerful US policy-makers might have conceived it? What if US corporations were to 'step up production in underdeveloped regions' but fail to find the required demand for their products? One advisor—perhaps drawing useful lessons from the growing world of advertising and marketing—argued prophetically that 'a market can be *created* through arousing desire' for American goods.[6]

It bears mention that investment abroad by US corporations was less than US$ 1 billion in 1948 (after having peaked at US$ 8 billion before the Depression, in 1929), a mere 2 per cent of domestic investment (most of it concentrated in Latin America and the Middle East, 80 per cent by oil companies).[7] 'Greater production is the key to prosperity and peace,' Truman argued.[8] The US government launched the Marshall Plan for the reconstruction of Europe. American technological know-how and capital investment would answer the needs not only of economic expansion in the US, but the reconstruction of Europe after the war and solve the problem of underdevelopment in the rest of the world, according to Truman.[9]

While there was perhaps no conscious conspiracy to market American products in poor countries in the guise of 'development', the normal capitalist imperative to sell, expand market share and grow prevailed then, as it does now. The drive towards endless accumulation of capital and wealth (for their own sake as well as for the power they confer) is what sets capitalism apart from all other forms of socio-economic life. The search for raw materials, cheap labour, expanding markets and lucrative investment opportunities is thus an inescapable feature of the capitalist system. Moreover, the more unregulated the system, the harder it is to draw its limits.

It is naïve and misleading to believe that the formal advocacy of the ideology of development by the US government after World War II was exempt from this imperative. The requirements of Western corporations were uppermost in the minds of the powerful planners. In fact, the reduction or removal of poverty from the 'underdeveloped' world is hardly mentioned explicitly when one examines the historical policy record of the early years of the Bank. Virtually every voice in the early debates prioritises the gains to the US from developmental interventions in what came to be called 'the Third World'.[10] 'A world free of poverty,' which the World Bank now proclaims as its objective in its publicity materials, is a slogan that originates, as we shall see, in a much more recent period of its history.[11]

However, in order to carry out the task of 'development' along capitalist lines, the first thing that was needed was a bank.

A Bank is Born

> Since the founding of the World Bank in 1945, we have been their largest and most influential contributing member. We have also been their largest beneficiary in terms of contracts awarded to US firms.
>
> —US Department of Treasury, 1994[12]

It was in an unprecedented opportune moment of post-war American triumphalism—the Axis powers well and truly defeated, the Soviet Union badly wounded even if on the winning side, and Europe destroyed by the war and additionally facing multiple rebellions in the colonies—that the World Bank was born. It was created at the initiative of the US government as a part of a network of official multilateral institutions to manage the complex task of running the world economy.

The World Bank Group today consists of five internally networked institutions, of which the oldest—the International Bank for Reconstruction and Development (IBRD), created in 1945—is also the most prominent one.[13]

The origins of the IBRD go back to a famous conference in Bretton-Woods, New Hampshire (USA) in July 1944. The US government invited forty-four countries to participate in a conference to plan the management of the post-war world economy. The chief achievement of the conference was the creation of the IMF. Its function was to play the lender of last resort for countries experiencing problems in international payments and to manage the world financial system under a regime of stable, fixed exchange rate, in order to enable the steady expansion of trade. The IBRD was also created, almost as an afterthought (a little over a day out of two weeks at the conference was devoted to it). It was designed to finance the reconstruction of Europe and the development of the decolonised world. However, the main mechanism for European reconstruction was still going to be the Marshall Plan.

Of the forty-four countries at Bretton-Woods, only the richer half seemed to have had any say in the discussions and decisions. John Maynard Keynes, the chief representative for the British government, commented candidly that 'Twenty-two countries … clearly have nothing to contribute'.[14] What is clear from this is that the two ostensibly multilateral Bretton Woods Institutions (BWIs), the IMF and the World Bank, were not set up in the same egalitarian, democratic spirit that, for instance, the United Nations was. The fact that one of the key goals of the IBRD (on which the Americans were more keen than the British) was to prise open the markets and resources of colonies and newly independent nations for US corporations was a poorly kept secret. It is borne out by extant documents from the time, such as a press release issued on the first day of the conference. It stated:

> The purpose of the conference is … wholly within the American tradition.… The United States wants, after this war, full utilization of its industries, its factories and its farms, full and steady employment for its citizens … and full prosperity and peace … it is ... desirable to promote world-wide reconstruction, revive normal trade, and

> make funds available for sound enterprises, all of which will in turn call for American products, hence the second proposal for the Bank for Reconstruction and Development (i.e., the World Bank)[15]

The bank was funded largely by bonds floated in Wall Street and by equity contributions from member countries in which the 'Big Five' (US, UK, Japan, Germany and France) dominated. Voting on all key decisions was made proportionate to monetary contribution. In this sense, decision-making at the Bank, from its very inception, has never been democratic. Since the US has always been the largest contributor by design, it not only has veto powers but the Bank to this day is ultimately accountable to the US Treasury. By 'tradition', the president of the World Bank is always an American and that of the IMF is always a European. All this ensures that the BWIs are run consciously or inadvertently for the financial interests of the affluent nations. The overriding role of wealth in the decision-making structure of these two seemingly multilateral international institutions has therefore been definitive from their inception.

One observer has commented on the manner of functioning of the second president of the World Bank, John McCloy (1947–49), that 'he planned to run the Bank as if its clients were private Wall Street investors and not the … countries that had joined in the hope of receiving development aid'.[16] The fact that the Bank's primary concern was to put to rest Wall Street's fears of financing risky investments in the colonies is also borne out by other evidence from that period. There was a deep reluctance to fund genuine development projects in areas like health, primary education and housing. Robert Cavanaugh, who was the Bank's treasurer from 1947 to 1959, had this to say in defence:

> If we got into the social field … then the bond market would definitely feel that we were not acting prudently from a financial standpoint … if you start financing schools and hospitals and water works, and so forth, these things don't normally and directly increase the ability of a country to repay a borrowing.[17]

The Bank was all too keen to establish and maintain a high credit rating with its financiers. (It has remained Analytical Advisory Assistance (AAA) over the decades.) To make overseas investments commercially viable was the Bank's overriding priority, not the elimination or reduction of poverty in the underdeveloped world. People working at the Bank 'didn't know much about the developing world except as colonies'.[18] One way to judge the reluctance of the World Bank to fund such development projects is to draw a comparison with the terms on which money was provided by American institutions for the reconstruction of Europe. The Marshall Plan was 'a multibillion dollar giveaway … the antithesis of the World Bank mandate: it was indiscriminate, massive, and seemingly free'.[19] Evidently, the priority of US financiers and, as a result, of the Bank was to ensure quick, large and safe markets for American corporations. Even a destroyed Europe was an incomparably safer investment bet for them than a potentially promising Third World.

Because the global political climate was still an imperial one, the obvious financial discrimination between Europe and the impoverished nations was seen as normal and acceptable. The caution exercised by the Bank during its first few decades meant that only the most direct investments in areas like infrastructure were promoted.

What is also noteworthy is that the US government was already beginning to use the World Bank to further its own geo-strategic goals. The Bank, for instance, was not allowed to lend to Guatemala and Ceylon because of the political character of the party in power.[20] On the other hand, brutal authoritarian regimes in Latin America, Turkey, Egypt and elsewhere were handed generous loans without scrutiny, accompanied by military assistance and foreign aid.[21]

In short, the World Bank during its early years, far from being the visible development player it came to be in later decades, was a minor presence in the global institutional landscape. It was more a tool in the hands of Wall Street and the US Treasury than the aggressive development lender it came to be in times to come. While not quite a profit-making business enterprise, it was not indifferent to the bottom line. The total amount of lending—not all of it for development—done by the Bank added up to a mere US$ 10.7 billion between 1946 and 1968. (By comparison, it has lent well over half a trillion dollars since 1968.)[22] Moreover, most of the money was lent to high- and middle-income countries like Japan, Italy, France, the Netherlands, Israel and Singapore.

1968 to the Present: The Aggressive Lender

> To attract companies like yours … we have felled mountains, razed jungles, filled swamps, moved rivers, relocated towns … all to make it easier for you and your business to do business here.[23]
>
> World Bank President McNamara: 'Do you think we can raise one billion dollars a year?'
>
> Bank Treasurer Eugene Rotberg: 'Sure, why not?'[24]
>
> —Robert Wade, Economist

In 1968, Robert McNamara, the man in charge of the unjust and unpopular US war on Indo-China, was relieved of his position as the US Secretary of Defence and appointed president of the World Bank. From an office where he was in charge of a budget of US$ 70 billion every year, he was now in one where the annual outlay was not even 2 per cent of this amount. He was shocked to find how little the World Bank lent to relieve poverty in the Third World. Feeling that the reason why the US had to fight wars in the Third World had to do with the inadequate efforts of the world's most affluent nation to relieve poverty and underdevelopment, and that a persistent failure to do so would be to leave the space open for communism to take root, McNamara launched the Bank on an ambitious path of aggressive development lending. It was to leave the World Bank by the early 1980s, when he left office, as the world's pre-eminent development banker.[25]

During the 1970s, American economic power was beginning to cede ground to Japan and a rebuilt Europe. McNamara made the most of the opportunity to build the power of the World Bank at a time when the US Treasury was less powerful than a few decades earlier. In the words of one historian of the Bank, Michael Goldman, McNamara 'sought to wrench control of the Bank from the Northern elite networks while tapping into their capital and power: have them work for the Bank rather than the other way around'.[26]

In order to expand sources of finance for the bank, McNamara strengthened links with Wall Street, using his years of experience in the corporate world, especially from the time when he was CEO of Ford. He got the central banks of member countries to hold more of the Bank's securities. He got the Bank to access funds from the European pension trust market. He also put in place a plan for standby credit with commercial banks in case the Bank's financiers withdrew support at any stage.

Importantly, McNamara used his corporate experience to fundamentally alter the inner functioning of the Bank. Obsessed himself with numbers, data, charts and tables, he brought a technocratic culture to its day-to-day functioning, transforming what was hitherto a mere bureaucracy into an intellectually dynamic unit by introducing a managerial culture among its staff. It was under McNamara that the Bank began keeping systematic records and data on everything from poverty to employment to economic growth in every single country.

The move that had the most dramatic consequences for the Bank's impact on the Third World was the linking of staff promotions to the extent of loans made. Under such an incentive, productivity was to be measured by the size of the turnover rate of a loan officer's portfolio. It brought an aggressive lending and loan collection culture to the World Bank, similar to the approach taken by international commercial banks. As we will see, it also sowed the seeds of the debt crisis, which was to engulf the Third World and imperil the global financial system in the early 1980s.

As a result of McNamara's resourceful financial activism, during the first five years of his presidency, the World Bank financed more projects (760 versus 708) and lent more money (US$ 13.4 billion versus US$10.7 billion) than it had during the previous twenty-two years taken together.[27] Significantly, from the point of view of increasing the autonomous power of the multilateral institution, McNamara was able to finance virtually all of the Bank's increased lending without having to invite any new equity capital from the Big Five countries. The change within the functioning of the Bank can be judged from the view articulated by Treasurer Eugene Rotberg: 'The Bank's capacity to lend is now based almost entirely on its capacity to borrow.'[28] From a situation in 1968 when the Bank's paid-up capital was US$ 2 billion and it borrowed US$ 3.5 billion from financial markets, by the early 1990s, the institution collected US$ 4.7 billion in paid-up capital and was raising an astonishing US$ 99 billion from the global bond market. The institution had come of age as a reputed, creditworthy lender, thanks to the McNamara-Rotberg revolution.

What's more, it was the first time an institution involved in development lending in the Third World had earned such high credit ratings.[29] By the time McNamara was finished with the World Bank in the early 1980s, the institution was drawing on financial resources from as far afield as Kuwait, Japan, India and Libya, and was working with large pension funds and multiple brokerage firms, not merely with the US undersecretaries of the treasury.[30]

A most significant contribution of McNamara was to win for the institution the intellectual badge for the world's leading authority on development. In Goldman's words, he managed to sell the image of development as a global project for the first time:

> By bringing together the ideas of economic growth, social upliftment and global security, and making it into a 'science', backed by World Bank finances, McNamara created a power/knowledge leviathan of a completely new sort. Not a state, not an international agency, not a finance bank, the World Bank became something quite unique in the world—a one-of-a-kind supranational development institution.
>
> After a decade of growth in the 1970s, the Bank's capital, ideas, and institutions set root and flowered in many different forms around the world: national development banks, national development institutes, national centres for agriculture (or green revolution) research, large dams, highways, power plants, mines, and national forestry projects. A major learning initiative sparked by the World Bank, United Nations agencies, and universities in the North fuelled studies in development economics, poverty, and the green revolution. This research became meaningful when it was supported by Northern foundations, used by major agro-industrial corporations, and situated in Bank-financed research institutes in borrowing countries. In short time, the Bank's large capital flows into the South was explained in terms of the financing of poverty alleviation, basic needs, and the green revolution....[31]

The most relevant question from the point of view of the impoverished, so-called developing nations, concerned the use made by the World Bank of its virtually unlimited access to capital. Where was the money lent and to what purpose? But before addressing this question, it is important to appreciate the financial circumstances in the world, in particular the state of the world financial system, at the time when aggressive 'loan-pushing' began in the 1970s.

THE WORLD BANK AFTER THE COLLAPSE OF BRETTONWOODS AND THE OIL CRISES OF THE 1970S

An economic event of far-reaching, long-term significance, which dramatically altered the global role of the BWIs and later catapulted them to centre-stage in a globalised world, took place in 1971. The US had been experiencing growing trade deficits with a more competitive and rejuvenated Europe as well as with Japan, which had been flooding the US market with its automobiles. It had led to the accumulation of a rapidly growing volume of dollars in the hands of foreigners. In 1971, to avoid a collapse of its currency, the US under President Nixon stopped converting dollars into gold. Till then, exchange rates were regulated by the dollar-gold link. This essentially meant the end of the Bretton Woods system: exchange rates were no longer fixed. The US managed to capitalise on a serious crisis by transferring the burden of its deficit to other nations. The risk of holding a threatened currency now followed all foreigners who invested in American assets. The world now entered upon the perilous era of floating exchange rates, with the dollar serving effectively as the world's reserve currency.

The second set of big economic events in the 1970s had to do with the oil crises. With the Organization of Petroleum Exporting Countries (OPEC) cartel raising the price of petroleum several times in 1973 and 1979, there was a massive growth in the accumulation of 'petrodollars' in the hands of oil-producing countries. They gradually found their way into Western commercial banks. The banks found the lending market in the West already quite saturated, especially after the stagflation of the early 1970s and the global recession of the late 1970s. They turned their attention towards development lending to Third World countries. Big loans were made to Latin American countries as well as to nations in Africa and South-East Asia. The World Bank became the underwriter for many of these loans because it had by now acquired a formidable reputation as an agency of expertise in economic development, with not only knowledge of Third World economies, but also growing leverage over the policies of poor countries. This was a new role for the Bank, and one into which it readily slipped.

An additional factor arose, in good measure as a consequence of the aforementioned developments. Financial markets, reined in since World War II, began to be deregulated under pressure from the corporate world. As international finance capital was deregulated, the balance of power moved from state-managed institutions to private banks and investors. Speculative investment activity gathered momentum and by the 1990s, aided by new electronic technologies, trillions of dollars were being moved across national boundaries without government oversight.

The World Bank under McNamara capitalised on the new financial opportunities by floating global bonds to enable the funding of large productive investments in the Third World. McNamara promised a wide range of investment guarantees to these investors and was thus able to access the growing volumes of surplus capital circulating in the world's financial markets. He was thus able to expand the lending base of the Bank and make good on his dreams of funding big development projects in order to reduce poverty in the Third World. Such projects would also bring brisk business to those corporations in the West responsible for supplying tractors and turbines, sewage and water treatment plants.

McNamara succeeded in convincing the financial communities of the Western world that lending for agriculture (the 'stepchild of development') and rural development—hitherto areas that were shunned by bankers—made good financial sense. Attention to peasant agriculture in the Third World also made good political sense from the strategic point of view: it was believed that it would contain communist influence. Over time, large parts of the impoverished world were awash with new kinds of development projects, loan-financed either by the World Bank directly or by commercial banks backed by the former.

Most prominently, the Green Revolution was launched to increase food production in the Third World, with India being a leading recipient of World Bank loans. It involved the use of high-yielding varieties of seeds, intensive use of water, fertilisers, pesticides, farm machinery, irrigation, energy, capital and technical support. That all these inputs into food production in the Third World generated huge business and profits for industry (especially agro-industry) in the West was convenient. Importantly, it ultimately increased the credibility and power of the Bank enormously.

Before 1968, the lending culture of the bank was traditional and conservative. One member of the World Bank staff recalled: 'In those days, we made a loan to Ghana and then waited for years to see how it came out before making another.' McNamara's view of the situation was that it was 'an inefficient way to run a planet'.[32]

With aggressive development lending, the World Bank by the end of McNamara's tenure in 1981 had hugely expanded its influence both among its financiers across the developed world and among the many recipients of its loans in poor countries. This was reflected in the numbers too: in 1961 the Bank had committed US$ 900 million in new loans for twenty-nine projects in nineteen countries. By 1981 it was spending US$ 8.8 billion for 140 projects in fifty countries.[33]

At McNamara's retirement in 1981, the World Bank was not merely a lender for development projects in the so-called developing world. It made full use of Norman Borlaug's 'miracle seeds' to enlarge its own loan portfolio by exporting the Green Revolution to the Third World. It now provided experts, economists, scientists, consultants, lawyers and accountants; ran courses and trained staff; offered exchange programmes to governments and institutions; supported local research facilities and libraries; monitored progress on its many projects; and liaised regularly between various agents involved in the ambitious project of 'development'.

No bank in the history of humanity had ever been involved in such a wide spectrum of activities connected with its portfolio. Today, the World Bank is perhaps the largest research organisation of its type anywhere in the world and its role as 'knowledge provider' is an increasingly hegemonic one.

Behind this catapult to power lies the inexhaustible ambition of one man: Robert McNamara.

THE WORLD BANK AND INDIA BEFORE 1981

The World Bank had flooded India with loans since the 1950s in order to gain policy leverage to convince India's leaders to reduce government involvement in the economy and move away from the import-substitution model of industrialisation behind tariff barriers (just like other industrialised countries had done). However, the political climate was quite different from what it became in later decades and so the Bank advice went unheeded.

This made the Bank alter its India strategy. It formed a donor group and promised big increases in aid if India opened up its markets to Western products and promoted exports instead of substituting imports. By 1971 the Bank chaired sixteen donor groups and positioned itself better to influence economic affairs in the country.[34]

As already noted, the Green Revolution was brought to India largely with the facilitation of the Bank. It did this by offering technical and institutional support to state ministries, banks, research centres and by providing loans for heavy infrastructure such as dams, power plants, irrigation systems and agro-industries. By the 1980s 'miracle seeds' in Indian villages were followed by a whole edifice of technocratic expertise sponsored by the Bank. As a result, by 1983 more than half of India's rice acreage was planted with the high-yielding semi-dwarf variety.[35]

The Green Revolution had brought to an end a whole system of traditional agriculture in most poor countries. The diversity of food production was lost. Export-oriented production took the place of subsistence agriculture. Enclosure of land into big farms displaced millions of peasants. Food imports did not end. On the contrary, plummeting food prices because of a global glut in food production, supported by agricultural subsidies in affluent countries, meant that the latter dumped cheap food on the world market, at the cost of small farmers in poor countries.

1981 to the Present: The Rise of Policy Paternalism and Structural Adjustment Programmes

After McNamara's retirement in 1981, William Clausen was appointed the new President of the World Bank. Anna Krueger, a conservative trade theorist, replaced the liberal development economist Hollis Chenery as the Bank's Chief Economist. The political climate in the West had changed with the arrival of Ronald Reagan and Margaret Thatcher in the top offices in the US and the UK, respectively. A new era of right-wing economics was launched. The name by which it is recognised today is neo-liberalism. However, it was neither new (having been economic orthodoxy before the Keynesian revolution in the 1930s) nor liberal, apart from relying on historically reinforced inequalities in the underlying distribution of wealth.

In essence, neo-liberalism—around which a remarkable majority of economists cohere today—has a doctrinal faith in the power of free markets to deliver economic growth and prosperity for all, regardless of pronounced differences in culture or historical circumstances. While more and more people are today beginning to see that the same growth processes which enrich the few also impoverish the many, neo-liberalism believes in 'win-win' outcomes which can benefit everyone.

Neo-liberals share a general distrust of the State in the management of economic affairs, especially as regards interferences in the market economy in the shape of taxes, tariffs, customs duties, subsidies or quotas. The state is also expected to recede from direct economic activity (such as carrying out production) and restrict itself to providing the institutional basis (private property rights, maintenance of law and order, etc.) for investment and economic growth.

It was to this school of thought, led by Chicago economists since the time of Milton Friedman in the early 1960s, that Anne Kruger belonged. She saw 'rent-seeking' governments (catering to special interests to derive economic gains) as the key source of economic problems in poor countries.

The team of liberal economists assembled by Chenery, who did not reject outright the role of the government in the day-to-day running of the economy, made way for new ones, more in agreement with the world-view of people like Krueger. It had profound consequences for the way the Bank functioned after the 1980s.[36] In particular, it began to espouse neo-liberal orthodoxy more openly and started influencing and shaping the economic policies of Third World governments to bring the 'developing' economies more in line with the textbook descriptions of free markets. It mattered little that the socio-economic and other realities in Third World countries were not only a world apart from the models of economic theorists, but were also obviously distinct from Western economies. Every client country was seen under the same lens and thus administered the same medicines, even when the underlying ailments were different.

It ushered in the era of aggressive neo-liberalism.

THE DRAMATIC RISE IN THIRD WORLD DEBT

Unlike what McNamara's 'end poverty' decade had proclaimed, the expansion of World Bank activities in the Third World did not terminate poverty. On the contrary, the expansion exacerbated it.

Thanks to loan pushing by Western commercial banks, together with poor and irresponsible use of loans by the elite in poor countries (for military expenses or for speculative investment in foreign countries via illegal capital flight), the latter were accumulating huge and growing debts by the end of the 1970s. Growing at 20 per cent every year after the mid-1970s, the total debt of Third World countries ballooned from US$ 130 billion in 1973 to US$ 612 billion in 1982 and to over US$ 1,000 billion in 1986. Several Latin American debtor nations defaulted in 1982.[37] By the 1980s, much of what the World Bank was lending to poor countries did not go towards increasing production or even for research or training. Most of the money was actually being used for servicing the old debt.

The World Bank, as the underwriter for the credit that had been extended to poor countries over the previous decade, ought to have suffered a huge loss of credibility with the debt defaults of 1982, which all but precipitated a massive crisis of the global financial system. However, thanks to the vulnerable position of the borrowing countries and to the exposure of the bank creditors in the West, not to mention its own pre-eminent position as the world's leading development authority, the Bank managed to skillfully manoeuvre the situation in its favour by offering, along with the IMF, to 'restructure' the debt.

The BWIs became 'the new arbiters of debt relations between the North and the South'.[38] This entailed, among other things, that the World Bank began extending credit to Third World countries to service the interest on old loans. These loans came to be called Structural Adjustment Loans. They were so named because rather than identify blunders of judgement on their own part as key financial intermediaries, the Bank and the Fund diagnosed the problem as one of structural imbalances in Third World economies: imbalances in the government budget and in the external accounts. Using their standing as underwriters and lenders of last resort, they began using their financial power to leverage policy-making in Third World countries for the first time. Debt as a key instrument of imperialism had arrived.

What do structural adjustment programmes (SAPs) entail? In brief, they demand a complete re-orientation of the indebted nation's macroeconomic policies towards the interests of wealthy nations at the expense of poor nations. Why and how a moneylender is allowed to seize effective control of a country's economic policies when all it should be rightfully concerned about is whether the debt is being serviced is a very good question. SAPs have been analysed and exposed for their profoundly unjust nature by many writers and experts. Space prevents us from going into them in depth here.[39]

The net result of aggressive advocacy of 'open' economies in the underdeveloped world through SAPs and stabilisation policies has been that impoverished countries are effectively open only to giant multinational corporations with global reach.

However, the price of achieving this objective has been the loss of a reputation for political neutrality, which the BWIs had until the 1970s. After interfering systematically in the internal policies of numerous vulnerable Third World countries, the Bank and the Fund could no longer appear as apolitical, technocratic institutions. They faced widespread protests in the Third World throughout the 1980s. The Bank had to reform or perish in the face of calls for its shutdown. A later section of this essay will address this changing face of the Bank. Before that, let us look at the impact of the Bank's SAP measures for India after reforms were ushered in 1991.

THE IMPACT OF THE WORLD BANK'S STRUCTURAL ADJUSTMENT PROGRAMME IN INDIA AFTER 1991[40]

India suffered a severe payments crisis on its external account in the summer of 1991, in the wake of the oil price hike after the First Gulf War. The import bill had been climbing through the 1980s, thanks mainly to import liberalisation under the Rajiv Gandhi government. There was only enough hard currency at one stage to pay for three weeks of imports. Given that India was (and still is) heavily dependent on imports of oil and capital goods from abroad, it needed to borrow abroad to pay for essential goods like oil and machinery.

India's decision-makers resorted to negotiating a loan equivalent to US$ 2.2 billion from the IMF under their standby arrangement. The SAP loan of US$ 500 million from the World Bank was a corollary to this, given the fact that the BWIs work in alliance with each other when it is a matter of coming to the assistance of governments in poor countries (and thereby influencing policy there). The IMF loan was meant to address the short-term needs of what economists call Stabilisation Policy (controlling inflation and bringing the country's external accounts into balance). The Bank loan was meant to address the putatively 'structural' problems that were diagnosed to be the underlying cause of the payments crisis of 1991.

It has to be appreciated that India's international solvency was in question at the time and the BWIs, by granting the money, were underwriting India as a creditworthy nation. Every underwriter has his price tag, and the Bank and the Fund certainly do. The loss of autonomy and sovereignty over economic policy-making had been experienced in country after country where Bank-Fund assistance was deemed necessary after the debt crisis in the early 1980s. As expected, the same transpired in India.

After June 1991, the Indian government under Prime Minister Narsimha Rao was asked to implement a series of measures (loan conditionalities) involving macroeconomic stabilisation, coupled with fiscal 'adjustment' and structural reforms. This 'austerity package' was something that many other developing nations in Latin America, Africa and South-East Asia had already undergone.

The standard 'belt-tightening' tools, involving devaluation and the use of deflationary fiscal and monetary policies, were deployed in order to achieve the goals of 'stabilisation'. The rupee was devalued by 23 per cent. A sharp reduction in the government's fiscal deficit was enforced. A tight monetary policy was adopted.

The fine print underlying these measures has to be noticed if we are to appreciate the impact of the Bank-Fund 'conditionalities'. The process of 'structural reforms' inaugurated then is still incomplete: it has involved vast changes in the way the Indian economy has come to be managed. Here is a more elaborate summary of what the 'austerity package' concretely involved, in terms of structural policy changes:

- *Industrial policy changes*: licensing requirements removed for most industries; dilution of the law regulating monopolies (MRTP) (thus forestalling competition); automatic approval (or exemption from case-by-case approval) for foreign direct investment (FDI) and private investment in many industries identified as high-priority; dilution of foreign exchange regulations (FERA); and making possible international repatriation of profits and capital.
- *Financial sector reforms*: financial liberalisation, involving smooth entry of foreign institutional investment (FII) into India; deregulation of commercial banking and the domestic capital market (deemed to be over-regulated until 1991) by both the government and the RBI, giving far greater autonomy over credit creation and profit-making to the banking sector; permitting entry of foreign banks into the Indian market; and giving banks far greater liberty to invest in equities and lend against them (as collateral).
- *Trade policy changes*: import liberalisation in key areas (thereby reducing effective protection for domestic industry) and promotion of exports to earn foreign exchange (needed, among other things, to pay back Bank-Fund loans).
- *Changes in the public sector*: the earmarking of certain profitable public sector enterprises for divestment of government equity and sale of assets of identified 'sick' public sector units.

- *Changes in the role of the State*: drastically reducing the role of the State in the economy; a dramatic reduction in the spending of the government in key areas like health, education, public housing and provision of other public services, in order to address the fiscal deficit; and tax reforms involving big tax breaks for the private sector while increasing the share of indirect taxes.
- *Reforms in agriculture*: liberalisation of foreign trade in agricultural commodities in an attempt to promote exports to earn foreign exchange; promotion of exports of agricultural cash crops and raw materials; a big reduction in public investment in agriculture; a massive reduction in priority sector lending by public sector banks to rural areas (as had been enforced after bank nationalisation under Indira Gandhi in 1969), leading to a big decline in rural credit; significant cuts in fertiliser subsidies; and a reduction in the scope of the Public Distribution System (PDS) through a decrease in food subsidies.
- *Changes in exchange rate policy*: devaluation of the rupee; a movement of the economy towards market-determined exchange rates; and making the rupee fully convertible on the current account and ultimately on the capital account as well.

We are still reeling under the long-term impact of the 'structural reforms' inducted under Bank-Fund supervision. Moreover, the reforms appear to be far from complete. For example, as late as 2003, the Fiscal Responsibility and Budgetary Management (FRBM) Act was passed under the Bank-Fund supervision, obliging the Indian government to eliminate its revenue deficit in the annual budget. Along similar lines, further reforms are in the pipeline in areas like the liberalisation of banking and insurance.

Space limits an extended examination of the profound, far-reaching consequences that the reforms have had on different sectors of the Indian economy and society, not to mention the political system. Some of the more significant observations can be flagged here:

1. India remains an economy in which most people derive their livelihood from agriculture. There have been more than 200,000 suicides by debt-ridden farmers since 1997 (after the economy was tethered to the Agreement on Agriculture under the WTO). The agrarian crisis (in lost incomes, livelihoods, investment, production and productivity) is severe and historically unprecedented. Everyone is in agreement over the fact. Most analysts are also agreed that the crisis owes its origins to policy measures taken after 1991, even if the roots of many of the problems reach back further in time. In particular, the choking off of affordable rural credit (because of removal of priority sector lending practices after 1991) has led to widespread indebtedness among farmers, driving many of them to commit suicide.
2. The deflationary policies set in motion after the 1991 reforms contributed not merely to stagnation and crisis in agriculture but also to a significant slowdown

and loss of output and employment in the manufacturing sector in the 1990s. The rate of growth of manufacturing fell from an annual 5.8 per cent at the end of the 1980s to 5 per cent by 2002–3, before registering higher rates since then.

3. The service sector, especially information technology (IT) and information technology enabled services (ITeS), has boomed, thanks in good measure to the tax and other incentives provided by the government.
4. Thanks to liberalised trade and indiscriminate transfers of (capital-intensive) technology in a globally competitive world, much employment has been lost to automation and retrenchment in the economy's organised sectors (including the government and public sectors). About the same number of workers in the organised *private* sector of the economy (between 7.7 and 8.3 million) now produces 4–5 times the real output, compared to what was the case in 1991, thanks to the paradoxical productivity effects of technology. This is the primary reason why growth has failed to trickle down to the masses, even though many Indians have been added to the list of billionaires in the world. Rising inequality is a direct consequence of policy drift under the Bank-Fund directives towards maintaining free market conditions.
5. All respectable indicators show that poverty and malnutrition remain unchanged after the reforms. If anything, in some areas they may have become worse than before, especially after the recent round of inflation in food and energy prices.
6. India is far more exposed than before to swings and shocks resulting from movements in the international economy, as witnessed by recent rising inflation. Every ruling coalition leader has expressed his helplessness in a situation in which global finance calls all the shots as far as the economic situation is concerned.
10. Crucial public (survival) services like water have been privatised in some parts of the country under World Bank advice. The high user charges effectively exclude poor consumers who constitute a majority.

1989 to the Present: The 'Green Neo-liberal'[41]

> Like the Vatican and for similar reasons, it cannot afford to admit fallibility.
>
> —Robert Wade, Economist[42]

In 1985, thirteen years after the Stockholm Conference on the environmental crisis facing the world, there were as few as five World Bank staffs working on environment. The number grew to more than 300 over the next decade. Under the rubric of environment, the World Bank gave loans worth US$ 15 million in 1985. A decade later it was lending almost US$ 1,000 million. Budget allocations for environmental policy and research grew by more than 90 per cent a year.[43] In 1992, a new vice-presidency for environmentally sustainable development was established. So much had Bank policy changed that by the 1990s, it was imposing on its borrowers environmental adjustment policies (EAPs), based on global standards for environmental management and regulation it had itself set. Environmental adjustment policies compel borrowing countries to restructure the regulatory framework of institutions, alter laws pertaining to land and natural resources, and change tax laws and laws for regulating capital flows, as preconditions for new loans from the Bank. The Bank had once again reinvented itself, transforming the institution, in the words of Michael Goldman, 'from culprit to vanguard'.[44]

In the 1980s World Bank officials used to argue that a loud and public environmental position would endanger financial support for the Bank. Today the Bank succeeds in attracting *more* funds precisely because of its public espousal of the agenda of environmentally sustainable development. By serving such an agenda it keeps its primary clients—capital-goods industries and financial firms from affluent countries—pleased. The former get sustained demand for their products, because in addition to demand for traditional capital goods like earth-moving equipment necessary for large development projects, pollution control and other environment-related equipment is demanded in larger volumes. The financial firms, in an age of corporate environmentalism and the average investor's environmental sensitivity, get better returns from their investments by piggy-backing on the Bank's green image. As long as it is seen as environmentally sound in its policies towards the borrowers, it gets high ratings from its financiers.

In his important work, Michael Goldman argues that the World Bank, by introducing through its SAPs and EAPs new institutional frameworks in Third World countries, is,

> generating new state authorities within national boundaries and in the world system … giving rise to environmental states in the global South … marked by the specific needs of transnational capital, which are shaping the form of legality and eco-rationality that have prevailed in Southern countries. Green neo-liberal pressures have fragmented, stratified, and unevenly transnationalized Southern states, state actors, and state power in ways that defy simple definitions of modernization.[45]

Does all this mean that the World Bank's policies are contributing to terminate the war between capital accumulation and environmental protection, between human greed for further prosperity and the imperatives of nature? On the contrary, it seems, when one weighs the evidence that we may just have moved into an era when the conflict between water, energy and resource-intensive economic growth, on the one hand, and the survival of human society and civilisation itself, on the other, has only sharpened with time.

The evidence that has gathered over the past few decades is too large to deny. Only a brief, anecdotal sample can be offered here. It is Bank support which has ultimately allowed the Narmada project to proceed despite massive social and environmental consequences, in open neglect of the adverse testimonies provided in the Morse Commission report. Bank-funded development projects dump huge volumes of toxic wastes into rivers and streams everywhere from New Guinea to Guyana. It was Bank money which allowed two dozen open-pit coalmines to be expanded in India in the late 1990s, causing contamination and stagnant lakes where farmers once worked the land. More than three-quarters of Bank lending for energy projects worldwide is spent on climate-changing fossil fuels. Funds in excess of US$ 50 billion have been granted for over 500 projects in ninety-two countries to build environmentally and socially disruptive large dams. Countries from Costa Rica to Ghana and Indonesia have lost large areas of forest thanks to the consequences of the World Bank's SAPs.[46]

On the ground little has changed.

Herman Daly, well-known environmental economist, was invited to join the World Bank in the late 1980s. He was instrumental in helping formulate Bank approaches to environmentally sustainable development. He resigned in 1994 after working at the Bank for six years. Among his reasons for leaving the institution was his exhaustion with the absence of intellectual freedom within it:

> The Bank considers itself the premier development bank, and they're careful not to publish anything without due consideration. Since the Bank pushes the concept that affluence through development is good for the environment, it's not possible to make a peep about how this might not be true. A few of us tried to get that point across in World Development Report, 1992 but they would not allow it—not even a couple of pages. We even tried to publish a 'minority opinion' as a separate document, with two Nobel Prize winners as main contributors, but the Bank's censors in External Affairs wouldn't accept it. The Bank is a tough place to discuss different ideas.[47]

Since 2001: The Midwives of Corporate Totalitarianism?

> Transparency is even more important in public institutions like the IMF, the World Bank and the WTO, because their leaders are not elected directly. Though they are public, there is no direct accountability to the public. But while this should imply that these institutions be even more open, in fact, they are even less transparent.[48]
>
> —Joseph Stiglitz, Nobel Laureate and Ex-Chief Economist of the World Bank

> I also have a heart but I have to use my head in making decisions.
>
> —Horst Koehler, Managing Director of the IMF, responding to the Prague protests against Bank-Fund policies in September 2000[49]

In the era that was inaugurated by 9/11, the World Bank, along with the IMF and the WTO, is rightly seen to have formidable power over the way poor countries are to be integrated into the global economy—a global economy whose rules have already been set by the powerful players and affluent countries in advance. The World Bank has long been used as a rewarding mechanism or, contrariwise, as a punishing device by the US government to force changes of government in vulnerable countries when the latter refuses to do their bidding. In this way, the US has supported dictatorships and subverted democracies from Indonesia to Chile.

Internally, the World Bank and the IMF are among the most hierarchical and secretive institutions in the world. As already mentioned, decisions are taken from the top and the US exercises veto power because, by design, it has the largest share in the paid-up capital of these institutions. While all the lending and almost all the other activities of the two institutions are today in impoverished countries, the World Bank and IMF are controlled and led by the corporate representatives of the affluent nations.

There can be very little institutional democracy when several South Asian (or other developing) countries share an Executive Director who too is kept in the dark about key decisions. There is no expectation that the leadership of these institutions should have any knowledge and experience of the poor countries whose policies they are constantly influencing and designing. A universal error in all Bank-Fund interventions in the Third World has been their unwillingness to listen to the very people whose lives they are impacting. This complaint has appeared time and again from those who have protested against SAPs.

Democracy can only prevail when leaders do not just represent the people but are accountable to them via elections and other mechanisms. The BWIs do not even represent the nations they claim to serve, let alone be accountable to them. Offering sermons in transparency to others, they are themselves the least transparent of all.

Likewise, Bank officials do not see any hypocrisy in lecturing to Third World countries on governance when the Bank has had a history of massive support to Suharto's brutal and dictatorial regime in Indonesia, funding it to the tune of US$ 30 billion between 1965 and 1998.[50] The Bank has held up Indonesia as a 'model pupil of globalisation'.[51]

In fact, these institutions have, for quite a long time now, been in a position to dictate political terms to the Third World. Financial innovations and debt-driven imperialism have created unique political opportunities for the World Bank. From a financial institution which once upon a time merely extended development credit to poor countries, the World Bank, in conjunction with the IMF and the WTO, has mutated into an unaccountable global quasi-state. Today it is well positioned to force big changes in the very laws by which people in poor countries live. Ostensibly, these changes in governance are good for us and will make it easier for our governments to pay back their debt to the Bank. Policy paternalism has certainly come of age and has ceded ground to corporate totalitarianism.

Things do not have to be like this. If we allow the globally powerful institutions and interests to change this country's laws at will, we only have the entrenchment and ultimate constitutionalisation of corporate totalitarianism to look forward to.

On the other hand, if people's movements asserting and demanding radical change in the way the world is working continue to gather force and momentum, it is perhaps timely to dream of ushering in a participatory environmental democracy as an economic alternative. This would finally terminate and bury the dictatorship of global finance and restore long-lost liberties to ordinary people's lives.

Notes

1. Cited in David Korten, *When Corporations Rule the World*, Goa: The Other India Press, 1998, p. 159.
2. Slavery in West Africa was justified by a French minister of commerce in 1901 as follows: 'The black does not like work and is totally unaccustomed to the idea of saving. He does not realise that idleness keeps him in a state of absolute economic inferiority. It is therefore necessary to use … slavery to improve his circumstances and afterwards lead him into an apprenticeship of freedom.' Quoted in Korten, *When Corporations Rule the World*, p. 252.
3. Neil Smith, *American Empire*, Berkeley: University of California Press, 2003, pp. 351–53.
4. The scholarly consensus in support of the view that the rich nations of today did not become rich by deploying policies of free trade is growing rapidly. See, for instance, Alice H. Amsden, *Asia's Next Giant: South Korea and Late Industrialization*, New York: Oxford University Press, 1989; Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press, 2002; Joseph E. Stiglitz, *Globalization and Its Discontents*, London: W. W. Norton and Company, 2002; and Robert Wade, *Governing the Market*, Princeton: Princeton University Press, 1990. The hypocrisy of Western governments, institutions and scholars imposing their preferred trade regimes (in the name of free trade dogma), ignoring both the facts of their own economic history and blithely ignoring the many subsidies, tariffs and other distortions the affluent countries themselves still retain, is too obvious to belabour.
5. Smith, *American Empire*, pp. 444–47.
6. Ibid., p. 447.
7. Ibid., p. 445.
8. Ibid., p. 445
9. Ibid., p. 445.
10. See Smith, *American Empire* and Korten, *When Corporations Rule the World*.
11. In fact, the homepage of The World Bank now declares with suggestive modesty: 'IBRD and IDA: Working for a world free of poverty' (see http://www.worldbank.org/). The unsaid subtext of such a billing is that the other three branches of The World Bank—the IFC, the ICSID and the MIGA—do *not* have such 'a world free of poverty' as their focus. The IFC website says that the institution aims only at 'reducing poverty, improving lives', not eliminating it (http://www.ifc.org/). See note 13 for an explanation of what these last three acronyms stand for.
12. United States Department of Treasury, *The Multilateral Development Banks: Increasing US Exports and Creating US Jobs*, Washington DC: Government Printing Office, 1994. Quoted in Patrick Hossay, *Unsustainable*, New York: Zed Books, 2006.
13. The others are International Finance Corporation (IFC), since 1956; the International Development Association (IDA), since 1960; the International Center for Settlement of Investment Disputes (ICSID), since 1966; and the Multilateral Investment Guarantee Agency (MIGA), since 1988. Each wing has a membership of more than 130. The IBRD has the largest membership, 184. For this and other sections of this essay, I lean heavily on information provided on the World Bank website, http://www.worldbank.org, and by Michael Goldman, *Imperial Nature*, New Delhi: Orient Longman, 2005.

14. Quoted in Michael Goldman, *Imperial Nature*, p. 54.
15. US Department of State 1948, p. 1148, as cited in Richard Peet, *Unholy Trinity: The IMF, World Bank and WTO*, London: Zed Books, 2003.
16. Cited in Kai Bird, *The Chairman: John McCloy, The Making of the American Establishment*, New York: Simon and Schuster, 1992, pp. 290–91.
17. Cited in Goldman, *Imperial Nature*, p. 57.
18. Cited in Goldman, *Imperial Nature*, p. 59.
19. Goldman, *Imperial Nature*, p. 57.
20. Devesh Kapur, Richard Charles Webb and John Prior Lewis, *The World Bank: Its First Half-Century*, Washington DC: The Brookings Institute, 1997, p. 135.
21. Cheryl Payer, *The World Bank: A Critical Analysis*, New York: Monthly Review Press, 1982, p. 42.
22. Republic of the Philippines government advertisement in 1975 in *Fortune* magazine. Cited in Korten, *When Corporations Rule the World*, p. 159.
23. Goldman, *Imperial Nature*, Chapter 2.
24. Cited in Goldman, *Imperial Nature*, p. 65.
25. Goldman, *Imperial Nature*, p. 61. Most of the material in this section, unless otherwise mentioned, has been drawn from Goldman's book.
26. Ibid., p. 62.
27. The figures are from Susan George and Fabrizio Sabelli, *Faith and Credit: The World Bank's Secular Empire*, London: Penguin, 1994, p. 43.
28. Goldman, *Imperial Nature*, Chapter 2.
29. Eugene Rotberg, 'Financial Operations of the World Bank', in *Bretton Woods: Looking to the Future*, ed. Bretton Woods Commission, WashiingtonDC: Bretton Woods Commission, 1994, p. 199.
30. Goldman, *Imperial Nature*, p. 66.
31. Ibid., p. 51.
32. Cited in Goldman, *Imperial Nature*, p. 75.
33. World Bank data from Annual Reports, cited in Goldman, *Imperial Nature*, p. 80.
34. Korten, *When Corporations Rule the World*, p. 162.
35. Goldman, *Imperial Nature*, p. 86. The Consultative Group on International Agricultural Research (CGIAR) was set up by the Bank in the 1970s to enable technical support for Green Revolution projects.
36. Stiglitz, *Globalization and Its Discontents*, p. 13.
37. The numbers are drawn from the World Bank's World Debt Tables, http://129.3.20.41/eps/if/papers/0211/0211005.pdf, accessed 30 August 2007 .
38. Goldman, *Imperial Nature*, p. 88.
39. The reader is directed to see, for instance, Goldman, *Imperial Nature*; Hossay, *Unsustainable*; and Korten, *When Corporations Rule the World*.
40. This section relies on Amit Bhaduri and Deepak Nayyar, *The Intelligent Person's Guide to Liberalization*, New Delhi: Penguin Books, 1996; Jayati Ghosh and C. P. Chandrasekhar, *The Market that Failed*, New Delhi: Leftword Books, 2004; International Bank for Reconstruction and Development (IBRD), 'Loan Agreement between India and IBRD', Washington DC: The World Bank, 5 December 1991); Dolly Arora, 'Structural Adjustment Program and Gender Concerns in India', *Journal of Contemporary Asia*, Vol. 29, No. 3, 1999, pp. 328–61.

41. The term is Michael Goldman's. Goldman, *Imperial Nature*.
42. Quoted in Goldman, *Imperial Nature*.
43. Ibid., Chapter 3.
44. Ibid., pp. 97–99. This section is based largely on Goldman's work.
45. Ibid., p. 183.
46. The evidence cursorily summarised in this paragraph is taken from Hossay, *Unsustainable*, pp. 88–98.
47. Cited in Goldman, *Imperial Nature*, p. 143.
48. Stiglitz, *Globalization and Its Discontents*, p. 227.
49. Cited in Walden Bello, *Deglobalization: Ideas for a New World Economy*, London: Zed Books, 2002, p. 71.
50. Ibid., p. 70.
51. John Pilger, *The New Rulers of the World*, London: Verso Books, 2002, p. 17.

3

The World Bank as a Knowledge Creator

How the Bank Uses Flawed Processes to Generate Unsound Knowledge for Promoting Disastrous Policies

SHRIPAD DHARMADHIKARY[1]

The Knowledge Bank

In 1996, James Wolfensohn, then President of the World Bank, called for the World Bank to become a Knowledge Bank. The World Bank has for many decades been engaged in producing knowledge. This knowledge has been produced and used to design, justify, plan and support policies, programmes and projects all over the world. Wolfensohn formally recognised this 'other' side of the Bank to be as important as its financial side.

In India, the latest country assistance strategy (CAS) that defines the Bank's approach to lending for the three years 2005–8, says:

> Three Strategic Principles will underpin the Bank Group's work: (i) focusing on outcomes … (ii) applying selectivity … and (iii) expanding the Bank Group role as a politically realistic knowledge provider and generator.

Creation of the Intellectual Support for Liberalisation, Privatisation and Globalisation

Why is the Bank giving so much importance to the creation and provision of knowledge? Ostensibly, it is to better tackle the challenges of global poverty eradication and improving people's lives. However, there appear to be other reasons.

It is an open secret that the World Bank directly intervenes in the policy-making processes of the countries to which it lends money. In the last fifteen years or so, the

Bank has been consistently pressuring governments along the path of liberalisation, privatisation and globalisation (LPG), forcing them to open more and more sectors of the economy to global private capital. Simultaneously, it has been pushing for the 'commercialisation' of these sectors; that is, the operation of these sectors along commercial lines, as a market, so as to create an enabling environment for privatisation.

All over the world, there has been massive resistance to these polices, and tremendous accumulating evidence that the policies are harming the poor and destroying the environment. The Bank is therefore increasingly being called upon to present justifications for these policies. One of the most important ways in which this is done is through the use of knowledge. In effect, this is the creation of the 'intellectual' support to build up the rationale behind and justification of LPG.

Unfortunately, the knowledge created by the Bank has several serious flaws. The process of generating this knowledge is exclusionary: it excludes common people; it excludes their traditional expertise and knowledge. The knowledge is created mostly by highly paid, often international, consultants, who have little knowledge of local conditions. The knowledge creation is mostly directed towards arriving at a pre-determined set of policies—the LPG package. Most importantly, this knowledge creation is often selective, in that information, evidence or experiences that do not support these pre-determined outcomes are ignored. All this makes the policy influence of the Bank's knowledge activities a serious cause for concern.

Where is the Knowledge Produced?

The Bank is recognised as the biggest research institution working on developmental issues. It generates two kinds of knowledge: one, what it calls research. This is work that has broad applicability over countries and sectors. This is more academic in nature. The other is the economic and sectoral work that is more applied knowledge.

The Development Economics Vice Presidency (DEC) is the main centre for research, with around 100 research staff. The Bank budget for research is about US$ 25 million, with an additional US$ 20 million spent on statistical capacity-building.[2]

Research is also produced in the six regions and various networks within the Bank. Research output is in the form of journal articles and books, policy research working papers, data products, special flagship reports, the World Development Review and annual conferences. In addition, the World Bank publishes two peer-reviewed research journals, the *World Bank Research Observer* and the *World Bank Economic Review*.

Bank researchers and their consultants produced nearly 4,000 papers, books and reports between 1998 and 2005, including more than 2,000 articles in peer-reviewed journals.[3]

The Bank also brings out a large number of data products, the most important being the World Development Indicators, which aggregate economic, environmental and social data of over 150 countries.

In addition to research, the Bank produces enormous amounts of knowledge in its economic and sectoral work, technical assistance, country-level assessments, project preparation studies, project evaluations, capacity-building work, and so on. Indeed, in terms of influencing policies and outcomes, this part of the Bank's production of knowledge is probably far more important than the 'research' part. Considering that in 2004, the Bank was involved in about 1,500 active projects, we can see the extent of the project-related knowledge generated by the Bank.

The Bank's Knowledge Networks

As important as the Bank's in-house system are the many and extensive linkages and networks that the Bank has created with external researchers, research institutes, professionals and others.

Some, like the Consultative Group on International Agricultural Research (CGIAR) with its 15 research stations, predate the Knowledge Bank. Others, like the Global Development Learning Network (GDLN), a partnership of over 120 learning centres (GDLN affiliates) in nearly 80 countries around the world, are more recent.

The World Bank Institute (WBI), founded by the Bank in 1955, is one of the Bank's capacity-development instruments. The WBI delivered more than 700 learning activities to some 75,000 clients, and awarded 211 scholarships in the fiscal year 2007.[4]

These networks work not only to produce knowledge, but also to disseminate it, and are equally important to accord legitimacy to this knowledge.

They are also a means to building long-lasting institutions that will replicate and perpetuate Bank-style research, ultimately leading to internalisation of such methods and such knowledge.

The World Bank as a Knowledge Producer in India

In India, the Bank produces knowledge in the form of short pieces of sector work, formal pieces of analytical and advisory work, technical assistance, conferences and workshops. Apart from these, knowledge is also being created in the form of project preparation studies, studies undertaken as part of project implementation and assessment on project completion.

In terms of policy impact, by far the most important are the thematic and sectoral studies, called Analytical Advisory Assistance (AAA) in Bank parlance. For the years 2005–8, the Bank planned fifteen major studies to be undertaken. These include studies like 'Land Issues for Growth', 'Strategic Issues in India's Water Sector' and 'Agricultural Marketing and Value Chain Development'. While ten of these have been completed, another seven studies have now been added to the earlier fifteen. These studies involve many consultants and 'several of the main reports recently completed have been prepared through joint work with Indian policy and economic research institutions and think tanks'.[5]

Technical assistance (TA) is another important knowledge-generation method, used mainly to promote LPG-type reforms. Examples include analytical and lending support to public-private partnerships (PPPs), advisory and lending support to agriculture, TA projects in agribusiness, regulatory reforms for private sector development in Orissa, joint work with the Government of India to provide technical assistance on resettlement and land acquisition policies, etc.

The Bank carries out a significant part of its knowledge-generation work in collaboration with other multilateral or bilateral aid agencies, like the Asian Development Bank (ADB) and the UK government's aid agency (the Department for International Development [DfID]). Moreover, the Bank also manages some of the multi-donor funding agencies (which are created by several donor organisations coming together) like the Water and Sanitation Program (WSP) and the Public Private Infrastructure Advisory Facility (PPIAF). Most of these, like the Bank, promote LPG policies.

Knowledge production activities, like AAA and TA, are actively used to promote the policies of LPG both at the political centre and in the Indian states.

At the central level, the focus of the Bank is to create an environment conducive to reforms. It says, in its CAS 2005–8:

> At the Centre, the Bank could selectively use investment lending, coupled with AAA to foster competitiveness.… The Bank could also offer its AAA to provide knowledge support to build consensus for key reforms, such as trade and tariff reforms, FDI regulations, improving corporate restructuring and bankruptcy procedures, SOE [State Owned Enterprise] reform, and competition policy. IFC [could] support implementation of reforms aimed at improving the investment climate for foreign and domestic investors.[6]

After pushing LPG reforms at the central level from 1991, the Bank has recently turned its attention to the states. While the strategy earlier seemed to focus on 'willing' states, this has changed to proactively pushing reforms in states which may be reluctant to undertake such reforms. This is being done through the mechanisms of 'policy dialogue' and TA—essentially knowledge activities. As per the mid-term review of the CAS:

> The Bank and the Asian Development Bank (ADB) have engaged in dialogue on cross-cutting reforms in … 12 states, the latter focusing on Assam, Madhya Pradesh, and West Bengal. The Bank has intensified its ongoing dialogue with Andhra Pradesh, Bihar, Karnataka, Orissa, Rajasthan, and Tamil Nadu, ranging from increased analytical and advisory activities to enhanced lending.[7]

The Bank's approach to engagement with the four poorest states has been based on dialogue leading, in three of the four cases, to preparation of a comprehensive state economic report to analyse the major reform areas.

The Bank organises large number of conferences, seminars and training workshops, and at least one key Bank document (the *Development Policy Report*) is being used in training senior Indian Administrative Service (IAS) officers.

Thus, the Bank has a vast array of knowledge-producing activities in India and the knowledge generated is being put to active use to push LPG policies.

We now look at two examples of how this knowledge is highly flawed. (The main study has several more examples.)[8]

Example I: Water Sector Review 1998 and Tradable Water Entitlements

In 1996, the World Bank initiated a comprehensive and wide-ranging review of India's water sector (we shall refer to this as the Water Sector Review 1998). The Water Sector Review 1998 was a 'sector-wide program undertaken in partnership between the Government of India and the World Bank, also with contributions from the Governments of the UK, Denmark and the Netherlands'. The purpose of the review was 'collectively assessing and establishing a Reform Agenda and Action plan for India's Water Sector'.[9]

The World Bank team, with inputs from the Government of India, and many consultants, finalised five specialists' reports dealing with:

1. Inter-sectoral Water Allocation, Planning and Management
2. Groundwater Regulation and Management
3. Irrigation
4. Rural Water Supply and Sanitation
5. Urban Water Supply and Sanitation

A sixth report, synthesising all these, was also prepared. These were first published as World Bank reports in 1998.

While the process was called a 'partnership' effort of the World Bank and Government of India, in reality, it was an initiative of the World Bank, led and controlled by it.

One of the far-reaching recommendations made by the World Bank in the Water Sector Review 1998, under the heading of 'Inter-sectoral Allocations', was the introduction of tradable water rights or water entitlements. The idea is that all (or at least some) people have a defined water entitlement. There is also a market in which these entitlements can be sold or bartered. The economic logic is that this trading will ensure that water is allocated to the highest value user, thus ensuring efficiency of use. The World Bank also justifies this as a 'politically attractive and practical' way of making inter-sectoral allocations.

The example of Chennai is given as a possibility, where the Bank argues that in a water market, a farmer would find it more profitable to sell his share of water to the city (or an industry or a golf course) than to grow crops.

To justify this, the Bank presented the experience of other parts of the world. One of the key examples described in detail is that of Chile where, the Bank says, such a system of tradable water rights has been established since 1981, producing substantial economic gains and proving to be 'effective as a means of allocating water resources to their most productive use'.[10] No negative impacts are given.

Thus, in line with its knowledge-provider role, the Bank brings in this international experience and knowledge to advocate and justify the tradable water rights policy. By itself, there is nothing wrong with examining the use of tradable water rights, until we discover that the serious negative experiences of the Chilean model have been concealed and ignored in drawing the recommendations found in the Inter-sectoral Allocation review.

The report on Groundwater Regulation and Management is from the same series as the Water Sector Review 1998, but states:

> Recent reports indicate, however, that the [Chile] model encountered problems as well as successes.… Although benefits have accrued, significant negative impacts have been felt by farmers unfamiliar with legal processes or lacking the money to participate in markets for water. Significant conflicts have also emerged between different groups of users, and many social and environmental externalities have yet to be addressed…

Moreover, the Irrigation sector report notes that,

> The main disadvantage, or risk, of the new system is monopolisation of water rights. A couple of power companies and a single individual have been accused of accumulating some 70 per cent of all water rights in Chile

Thus, the report which deals with inter-sectoral allocations and advocates tradable waters rights as an important mechanism *is totally silent on any negative impacts of the model*. The Bank could argue that the negative impacts have not been concealed but have been given in another report in the same series. However, this is not good enough. It is important for both the negative and positive impacts to be given at the point where the Chile experience is being used as an example to recommend a particular model.

We should keep in mind that the five reports in the series have been prepared separately by different teams and would often be read in isolation and not necessarily as a whole. Clearly then, the team that prepared the Inter-sectoral Allocation report, which recommends trading in water entitlements and is most relevant to the issue of water allocation, has ignored the serious negative impacts of trading in water rights in Chile. Is this because with the inclusion of the negative impacts, the justification of the same policy in India would be made very difficult?

Example II: Undisclosed Studies Justify Large Dams

The 1980s and 1990s saw the evolution and growth of a large number of intense struggles against large dams all over the world. The World Bank, as the largest single financier of large dams, was a prime target of these movements. It came under severe pressure and its lending to large dam projects fell sharply. Alarmed by this, the Bank, along with the International Union for Conservation of Nature (IUCN), initiated the World Commission on Dams (WCD) in 1998 to review the development effectiveness of large dams. The WCD report (released October 2000) was a strong indictment of large dams and upheld many of the issues being raised by those challenging large dams.

Fearful that the negative conclusions reached in the WCD report could further impact on the construction of large dams, there was strong reaction to the WCD report from governments, especially in those countries with significant large dam programmes. Simultaneously, these countries started pushing for renewed World Bank support for large dams. The World Bank also did not accept the report and was ready to revive support for large dams, as it had only previously declined due to external pressure. However, the Bank did need to provide some justification for this new and increased assistance, especially in view of the report of the WCD. Here again, knowledge creation was one of the important means used by the Bank.

A part of the Bank's Action Plan initiated as a follow-up to the WCD was the commissioning of studies on four dam projects under the name of *Multiplier Effects of Large Dams*. The study was to explicitly bring out the indirect economic impacts and 'purposes not apparent from a traditional CBA'[11] (cost-benefit analysis). The topic was chosen to show that the total impact of dams was much bigger than the visible, direct impact. The dams chosen had a larger-than-life image, clearly indicating the effort was to ensure that dams came out looking good.

One of the dams selected was the Bhakra Nangal project in India (another was Aswan in Egypt). The Bhakra Nangal project has become a legend in India. It is variously credited with solving India's food problem, making India self-sufficient in food grain production, and making Punjab and Haryana highly prosperous and surplus states. India's first Prime Minister, Jawaharlal Nehru, called Bhakra Nangal the secular temple of modern India.

In India, when an important political figure has to fight a crucial election, an election that he or she cannot afford to lose, then a 'safe' constituency is selected. It is in the same manner that the Bank chose this project. If it was looking for a big dam project where there was greatest assurance that the findings would be positive for dams, this was probably the project.

Not surprisingly, the results of the Bhakra study, carried out by Ramesh Bhatia and Ravinder Malik, extolled the great benefits derived from the project. The Bank used this study in India as a justification to proceed with more dam building.[12]

In 2005, the Bank's New Delhi office brought out an extensive study entitled *Strategic Issues in India's Water Sector*, which later came to be known by a somewhat more catchy name: *India's Water Economy: Bracing for a Turbulent Future*.[13] It recommended a dramatic increase in building large dams in the country. Using the Bhakra study to justify this, it said:

> A recent, major study by Ramesh Bhatia and Ravinder Malik … to make a[n]… assessment of the impact of the Bhakra Dam, … found that the direct benefits were higher than anticipated when the dam was built and that the dam did, indeed, serve to transform this region of India.

And, also the study

> … shows that the rural poor have benefited hugely from the project.
>
> … shows that it was the indirect effects which had the major impact on urban areas (and therefore on urban poverty reduction).

In general, the Bank concludes the section by saying that:

> … the record is overwhelmingly clear—investments in water infrastructure in India have resulted in massive reductions in poverty, and it is actually the poor and landless who have been the biggest beneficiaries.

A large part of this conclusion is based on the Bhatia-Malik study of the Bhakra dam. Thus, the Bhatia-Malik study is a key knowledge item produced by the Bank to show that large dams bring massive benefits and that the poor are the biggest beneficiaries. This is used to argue for and justify a big increase in building large dams in India.

It is interesting then that a study which is key to so many of the Bank's conclusions and arguments is still not in the public domain. The study has not yet been published, and preliminary publications of the study available in the public domain merely give the findings, not the detailed methodology, data and assumptions. The Bank wants everyone to take the findings of the study as a matter of faith.

The Bhatia-Malik study was not published as of the time of this submission being written (August 2007), that is, a full two years after the Bank made many claims based on it.[14] These are claims which peers, the public and policy-makers have had to take at face value, as they have not been able to examine the data, assumptions and methods used by the study.

Producing and using knowledge to justify and push big dams but not allowing anyone to examine this knowledge, is tantamount to saying, 'Big Dams are Good, Because We Say So'.

An Independent Evaluation

These two examples that have been discussed are not merely anecdotal. Rather, they are typical of the way knowledge is produced and used by the Bank.

Recently, the Bank commissioned an independent evaluation of its research activities carried out between 1998 and 2005. The evaluation, published in September 2006, was carried out by a panel consisting of Angus Deaton (Chair), Princeton University; Kenneth Rogoff, Harvard University; Abhijit Banerjee, MIT; and Nora Lustig, Director of the Poverty Group at the United Nations Development Programme (UNDP).

The evaluation had substantial praise for the Bank's research but also made many serious criticisms. Some of the important points made by the evaluation include:

> Much of what we read was of very high quality, was directed toward issues that are of great importance to the Bank, and was executed to the highest standards of the profession.… Its research has had a major effect on the way that development issues are discussed by practitioners, policymakers, and academics.
>
> At the same time, we found a number of deficiencies. Alongside the excellent work, there is a great deal of research that is undistinguished and not well-directed either to academic or policy concerns.
>
> A small fraction of prominent Bank research is technically flawed and in some cases strong policy positions have been supported by such (non) evidence … and the panel believes that, in some cases, the Bank proselytized selected new work in major policy speeches and publications, without appropriate caveats on its reliability.
>
> There is remarkably little work co-authored by non-Bank researchers from developing countries.
>
> One criticism that was made repeatedly is that research tended to jump to policy conclusions that were not well-supported by the evidence.[15]

Importantly, according to the evaluation, the area with 'the most widespread and troubling issues' was as follows:

> Enormous problems can occur when not-very-robust research results are sold as irrefutable truths to the countries in the form of policy advice, technical assistance or as part of the conditionality of the lending programs.… Even when the underlying research is valid, the Bank's desire to get out a message through external communications can give the impression of crisp black and white results, with too many important nuances lost.[16]

It should be kept in mind that all the above is in the context of the Bank's research (as against its economic, sectoral and thematic work). Given that research is subjected to more rigorous reviews than other analytical work, we would most likely find that these problems are even more widespread in the latter cases.

Moreover, these other knowledge products are used more directly for policy advice and justification and we find all the problems—selective use, less than robust results sold as irrefutable truths, jumping to (pre-desired) conclusions not warranted by the evidence—being repeated.

Important evidence of the flawed use of economic and sector studies with direct relevance to India comes from an internal memo of the Bank. This memo, from the Senior Water Adviser based in New Delhi, dated 11 December 2001, talks about the Bank's knowledge work in the water sector. Its content is self-explanatory:

> THE BANK'S ROLE IN KNOWLEDGE: The Bank has done a lot of sector work on water in India, including, in recent years, the largest single piece of sector work in the Bank. [This refers to the Water Sector Review 1998] … *But the analytic work has had*

> *serious flaws. A first important shortcoming is that there has been little critical assessment of the Bank's own (considerable) role. The Bank's role is (conveniently) not analysed in any depth, but rather, 'new approaches' are proclaimed as solutions (and past shortcomings not assessed)* (emphasis added).[17]

Legitimacy and Dominance of Bank's Knowledge

The Bank was strongly pushing for the privatisation of the water supply all through the 1990s. In September 2004, John Briscoe, Senior Water Adviser, made a presentation on behalf of the Bank to the International Water Association's World Congress at Marrakech. Among other things, he lamented the lack of adequate investment in water infrastructure in the previous decade, saying: 'The last decade has been a lost decade [partly] due to the naïve view that the private sector will take care of the infrastructure.'[18]

A decade lost here, another decade lost there, trauma for millions—yet, the policy advice of the World Bank and the knowledge on which this policy advice is based still hold sway. Why? And how?

Clearly, the financial muscle of the Bank is a crucial factor. The Bank's financial muscle is not limited to the money that it itself distributes. There is strong interlinking and coordination between the world's multilateral and bilateral donor agencies and the sources of private capital.

Moreover, the huge interests of global capital, big businesses and corporate multinationals are strongly linked to the Bank's lending and knowledge dealings. Lending by the Bank generates contracts and consultancies worth billions of dollars every year for them. Not only that, the kind of projects and programmes that the Bank promotes on the basis of its knowledge and analysis generate orders worth many times more.

Part of the reason for the domination and hegemony of the Bank's knowledge is the vast networks it has created for generating and disseminating knowledge. These networks draw in people from research institutions, academia, the professional sector, non-governmental organisations (NGOs) and the bureaucracy in many countries, helping the Bank penetrate national knowledge production systems. A related phenomenon here is the so-called 'revolving door' wherein middle- or high-ranking bureaucrats are offered deputation or short-/medium-term assignments with the World Bank.

For those who are a part of the Bank's developmental networks or part of the revolving doors, generating knowledge that goes against the grain of the Bank's thinking is not likely to be very profitable.

Challenges

One of the key functions of the Bank's knowledge has been to create the TINA myth: There Is No Alternative; that is, no alternative to these policies and no alternative to the knowledge created by the Bank. Therefore, it is a challenge for the citizens of India to break the hegemony of the Bank on knowledge production and to liberate the process from the control of the elite.

To do that, the first thing is to realise that the Bank is only one of the players. It may be the most visible face, but the entire nexus includes corporate, business and bureaucratic interests. Today, the lines between research institutes, academia, think tanks, governments and corporate profit interests are getting blurred, whether it is the latest Indo-US Knowledge Initiative on Agriculture or the more conventional consultancies in the water sector.

The second important thing is to democratise not only the creation of knowledge but also the process of determining its objectives.

When we make this suggestion, we do not want to romanticise 'local and traditional knowledge'. We need to understand its strengths as well as its limitations. We also need to do the same for 'expert' knowledge. Equally important, the process of knowledge creation needs to be detached from the interests of excessive profits and needs to be reformed to address issues of common good, equity, justice and environmental sustainability.

Ultimately, it is about controlling our development process. Control is the key reason why the World Bank is placing so much importance on being a Knowledge Bank. As the external evaluation of the Bank's research states:

> As is well known, there is an on-going effort to reposition the World Bank as the 'Knowledge Bank,' with lending operations playing a reduced role, and the Bank playing a more important role as a source of policy knowledge. In many ways this is responding to the changing demand for the Bank's services. We already see that a number of middle income countries like Mexico, or even countries approaching middle income, like India, either do not really need the Bank as a lender or are moving in that direction.[19]

The Bank is preparing for the future. Are we?

Notes

1. This essay is based on a detailed work analysing the *World Bank as a Knowledge Creator*, forthcoming from Manthan Adhyayan Kendra.
2. Abhijit Banerjee, et al., A*n Evaluation of World Bank Research (1998–2005)*, Washington DC: The World Bank, 2006, http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-164121166494/RESEARCHEVALUATION-2006-Main-Report.pdf, accessed on 18 May 2007.
3. Ibid.

4. World Bank Institute, http://web.worldbank.org/WBSITE/EXTERNAL/WBI/0,contentMDK:20100254~menuPK:204769~pagePK:209023~ piPK:207535~ theSitePK:213799,00.html, accessed on 14 September 2007.
5. World Bank, *Country Strategy Progress Report for India, for the period FY 2005–2008,* Report No. 39796-IN, India, Country Management Unit, South Asia Region, World Bank, 2007, para 22.
6. World Bank, *Country Strategy for India,* Report No. 29374-IN, India, Country Management Unit, South Asia Region, 2004.
7. World Bank, *Country Strategy Progress Report for India, 2007.*
8. Shripad Dharmadhikary, *The World Bank as a Knowledge Producer: How the Bank uses Flawed Processes to Generate Unsound Knowledge for Promoting Disastrous Policies*, Badwani, India, Manthan Adhyayan Kendra, 2008, www.manthan-india.org.
9. World Bank, *Initiating and Sustaining Water Sector Reforms: A Synthesis*, Washington DC: The World Bank, 1999, p. ix.
10. World Bank, *Inter-Sectoral Water Allocation, Planning and Management*, Washington DC: The World Bank, 1999, p. 55.
11. World Bank, 'Water Interventions and Policy', http://siteresources.worldbank.org/EXTWAT/Resources/4602122-1213366294492/5106220-1213366309673/13.2Multipliers_PPT.pdf, accessed 18 May 2007.
12. World Bank, *India's Water Economy: Bracing for a Turbulent Future (Draft of June 25, 2005)*, Washington DC: The World Bank, 2005.
13. Ibid.
14. The study was finally published in 2008.
15. Abhijit Banerjee, et al., A*n Evaluation of World Bank Research,* pp. 37–40.
16. Ibid., p. 141.
17. World Bank, 'India Focus Country Study and the Delhi Consultation', http://lnweb18.worldbank.org/ESSD/ardext.nsf/18ByDocName/IndiaFocusCountryStudyandtheDelhiConsultation/$FILE/IndiaFocusCountryStudyReporttoBankManagement.pdf, accessed on 16 May 2007.
18. John Briscoe, 'Sustained Economic Growth Is Fundamental For Reducing Poverty and Improving Water and Sanitation Coverage', keynote address at the International Water Association (IWA), Marrakech Congress, Morocco, 20 September 2004, http://www.iwa2004marrakech.com/uploads/Briscoe_Opening.pdf, accessed 25 October 2004.
19. Abhijit Banerjee, et al., A*n Evaluation of World Bank Research,* p. 12.

4

The Revolving Door of the World Bank

Suborning Policy and Decision-makers by its Pocketbook

PRASHANT BHUSHAN

Joseph Stiglitz, the Nobel laureate and former Chief Economist of the World Bank, in his critique of the World Bank and International Monetary Fund (IMF) notes that 'The institutions are dominated not just by the wealthiest industrial countries but also by commercial and financial interests in those countries, and the policies of the institutions naturally reflect this....'[1] The wealthiest countries, he says, direct the agenda of the World Bank and IMF through representation in these institutions by their finance ministers and central bank governors. Stiglitz then goes on to say:

> The Finance Ministers and Central Bank governors typically have close ties with the financial community; they come from financial firms, and after their period in government service, that is where they return. These individuals naturally see the world through the eyes of the financial community. The decisions of any institution naturally reflect the perspectives and interests of those who make the decisions; not surprisingly, the policies of the international financial institutions are all too often closely aligned with the commercial and financial interests of those in the advanced industrial countries.[2]

Although an insider, with impeccable credentials and credibility, Stiglitz has laid bare the fact which was known by most people much earlier, that the World Bank and IMF are predominately controlled by the world's richest countries. However, the 'revolving door' policy that exists between the Indian government and the international financial institutions (IFIs) suggests that the Indian government is totally oblivious to such control. How else might one explain the fact that for much of the last twenty years, and particularly since 1991, many if not most of the top economic policy-makers (including members of the Planning Commission, secretaries of the Finance Ministry and governors of the Reserve Bank of India [RBI]) have been staff of the World Bank/IMF? They have moved smoothly and seamlessly between the World

Bank/IMF and the Government of India, as if the latter was simply a division of the World Bank/IMF.

Since the mid-1980s, it has become common to find World Bank staff occupying key policy-making positions in the Government of India. Starting with Montek Singh Ahluwalia and Bimal Jalan, the vast majority of the key officials of the Finance Ministry and the RBI have moved seamlessly back and forth between the World Bank/IMF and the Government of India.

The current czar of economic policy, Montek Singh Ahluwalia spent the first eleven years of his career at the World Bank (1968–79). He was then inducted as an economic advisor in the Department of Economic Affairs. Thereafter, Ahluwalia worked in several important policy-making positions, specifically as Special Secretary to the Prime Minister, Commerce Secretary, Finance Secretary (1993–98) and finally a member of the Planning Commission. He then returned to Washington as a Director in the IMF (2001–4), before coming back to India as Deputy Chairman of the Planning Commission, from where he currently presides over economic and other policy-making for the country.

Also moving between the Finance Ministry, the RBI and the World Bank/IMF are other influential policy-makers and finance secretaries, such as Shankar Acharya. Like Ahluwalia, he started with the World Bank in the 1970s and then, again like Ahluwalia, he joined the government as an economic advisor in 1985. In 1990 he was back at the World Bank as Chief of the Public Economic Division, a position he retained until 1993, when he was appointed Chief Economic Advisor to the Government of India. Acharya was thereafter appointed to the Board of the Securities and Exchange Board of India (SEBI), the Export-Import (EXIM) Bank of India and various other policy-making bodies.

Ahluwalia and Acharya, amongst others,[3] are examples of individuals who virtually started their careers with the World Bank/IMF (and were thus trained in the World Bank/IMF school of economics). They were subsequently allowed to move back and forth between these institutions and influential policy-making positions in government. One can note that practically all of the economic advisors, and particularly the chief economic advisors to the government, have been imported from the World Bank/IMF. It is almost as if the World Bank's school of economics is the only education that the government recognises as legitimate.

Further, key officials of the Finance Ministry and other important ministries dealing with World Bank proposals and projects have been allowed to freely negotiate with, and take up jobs at, the World Bank while in service and immediately after retirement. Many of them are deputed by the Government of India to these posts, often working through an 'old boy' network of World Bank officials who have occupied key positions in the Government of India. These include Bimal Jalan who was Chief Economic Advisor (in the 1980s), then Finance Secretary (1985–88), before becoming the Executive Director of the IMF. He returned to India to become the Chairman of the Economic Advisory Council of the Prime Minister (1991–92) and then went back to the World Bank (1993–96) as the organisation's Executive Director. Jalan then returned to India once again, this time as a Member-secretary of the Planning Commission, before being made the Governor of the Reserve Bank (1997–2003).[4]

These are just some examples of Finance Secretaries who immediately after retirement went on to take up jobs as Executive Directors in the World Bank/IMF or the Asian Development Bank (ADB). It is apparent that they had sewn up their assignments with one of the IFIs while they were in service, using their official interaction with these institutions as Finance Secretaries and their unofficial connections as members of the 'old boy' network of the World Bank/IMF/ADB, in the government. We can see that virtually all of the Chief Economic Advisors of the Finance Ministry in recent times have been imported from the World Bank/IMF and virtually all the Finance Secretaries were allowed to take up jobs with them immediately after retirement.

The Finance Ministry, of course, by no means exhausts the race undertaken by bureaucrats for World Bank/IMF jobs and assignments. It just happens to be particularly easy for the top bosses of the Finance Ministry (who deal with the World Bank/IMF almost on a daily basis) to negotiate jobs. But there are many other key officials of other ministries and departments who have also done likewise. In this category are secretaries of other key ministries like the Environment Secretary Pradipto Ghosh, who was with the ADB between 1994 and 2001, before coming back to government service as an Additional Secretary to the Prime Minister. He then became the Environment Secretary during 2003–7, where he presided over the dismantling of many environmental regulations to facilitate 'economic growth' based on the model provided by international/regional financial institutions.[5]

This revolving door between the World Bank/IMF and the Government of India that results in the filling of most economic policy-making positions of the government with Bank staff has allowed the bank to impose its ideology and policies on India. It has not only ensured that these policy-makers are educated in the World Bank school of economics, but by allowing these officials to move back and forth, the World Bank/IMF has also ensured that it is able to retain a complete stronghold over these officials. This power relationship results in a situation where those government officials who step out of line may only do so at the cost of losing their lucrative jobs and assignments with the World Bank/IMF.

Apart from deputations, there are a host of other jobs, consultancies, assignments and even travel grants paid out for attending meetings of the World Bank and its associated agencies. Thus, for example, R. A. Mashelkar as the Director General of the Council of Scientific and Industrial Research (CSIR) went on at least seventy trips abroad during his tenure (until 2004), many of which were paid for by the World Bank[6] or the World Intellectual Property Organisation (WIPO). For most of these trips, he received around 500 British pounds a day.[7] As a result, he received more as honoraria for these trips than he got as a salary from the Government of India.[8]

The acceptance of such large sums of money from organisations which have a potential conflict of interest with the Government of India is likely to compromise

Mashelkar's ability to give independent advice to the government on several important matters of policy. For example, as Director General of the CSIR, Mashelkar presided over several policy-making committees and advised the government to amend the Patents Act—which it subsequently did[9]—to bring India's patent laws in line with the needs of Western multinational corporations. Yet India is supposed to be engaged in a fierce battle with the World Trade Organisation (WTO) regarding compliance with its obligations regarding intellectual property rights under the WTO agreement. Crucially, most independent experts believed that passing the amendment would lead to an astronomical increase in the price of agricultural seed and pharmaceutical medicines.[10] However, at least eleven of Mashelkar's private foreign trips were to attend the meetings of the WIPO and the Intellectual Property Rights Commission, from whom he has taken large sums of money whilst also accepting their hospitality. These bodies are committed to promoting product patenting, on which there is a clear conflict with the interests of India. As czar of the scientific and industrial research establishment in India, Mashelkar is bound to be consulted by the government on issues like product patenting. No honest government should in these circumstances allow such a person to accept money or the hospitality of these organisations. But the government has exempted organisations like WIPO, the World Bank, the IMF and the ADB from the requirements of the Foreign Contribution Regulation Act on the basis that they are agencies of the United Nations.[11]

The deleterious consequences of such conflicts of interest created by the acceptance of the money and hospitality of such organisations became clear in 2006 when Mashelkar, while chairing a WIPO consultation meeting at Casablanca, recommended a Substantive Patent Law Treaty (SPLT)[12] in accordance with the agenda of developed countries. The SPLT according to the Casablanca statement[13] engineered by Mashelkar would deal only with four issues, namely, prior art, grace period, novelty and inventive step. This forced the fourteen-member group of developing countries (calling themselves the 'Friends of Development') including Brazil, Cuba, Egypt, Iran, South Africa and Venezuela to issue a statement denouncing the recommendation of the WIPO Casablanca consultation. Mashelkar's chairing of the consultation made it appear that India had broken ranks with the developing countries who wanted the Patent Law Treaty to also deal with provisions on the transfer of technology, anti-competitive practices and the safeguarding of public interest flexibilities. The situation became so embarrassing for India that the government was forced to issue a note declaring that India did not support the Casablanca declaration and that Mashelkar had participated in and chaired the Casablanca meeting in his personal capacity. But as Secretary of the Department of Scientific and Industrial Research and Director General of the CSIR, it is Mashelkar who played the most critical role in the formulation of India's policy on intellectual property rights. That is why the generous hospitality and money of WIPO, the World Bank and other such institutions seriously undermine his capacity to act in the interests of the Indian people. Mashelkar, of course, claims that, in his honest assessment, reforming the patent regime is in the best interest of

India as well. The very profitable junkets, honoraria and assignments only continue provided that Mashelkar—and others like him—falls into line with the policies of the World Bank and similar agencies. This situation makes it clear how easy it must be to convince yourself of the righteousness of the course that is likely to land you with these lucrative assignments.

The World Bank selects all of its officials, as well as deciding salaries and honoraria, in accordance with the level of 'utility' the candidate might offer to the Bank. In all cases, the salary offered by the Bank is several times, often ten times or more, the salary the official gets in India. Such a salary scale creates an enormous incentive for government officials to seek World Bank jobs, assignments, consultancies and travel grants. Since it is obvious that one is more likely to get these opportunities if one toes the World Bank's line, it creates an enormous incentive for officials to hold back on alternative policies. The problems encouraged by such a system are particularly pressing for 'honest' officials who see these jobs and assignments as the only legitimate way of doubling or trebling their savings in a very short timeframe.

This is why there is no critical evaluation of the World Bank's policies and projects at the government level. The World Bank's policies and projects are thus accepted uncritically and always pushed through the legislative process. All of this has had an enormously deforming effect on policy-making, particularly economic policy-making, in the Government of India. It would not be incorrect to say that it is the World Bank which runs the RBI, the Finance Ministry and the other economic policy-making bodies of this country. It has created a cadre of bureaucrats who owe greater loyalty to the World Bank/IMF than they do to the people of India. It is shocking that this state of affairs has been allowed to continue, and even encouraged, by the Government of India. It just underlines the 'yes minister' syndrome afflicting the government. It shows that to most intents and purposes, it is the economic bureaucracy that largely controls policy, particularly economic policy, rather than the elected government.

By way of conclusion, and to illustrate the prominence of World Bank/IMF-trained bureaucrats within the Government of India, it is appropriate to refer to a very significant story narrated by Ashok Mitra, the legendary former Finance Minister of West Bengal.[14] He wrote that in 1991, when Narasimha Rao became the Prime Minister, India was in dire financial straits and desperately needed a bailout from the World Bank/IMF. The World Bank imposed two conditions for the bailout. First, India must implement the neo-liberal policies of structural adjustment. Second, to ensure the faithful implementation of these policies, the World Bank insisted on having an Indian Finance Minister of their choice (to be chosen in consultation with the US government). Mitra wrote that Rao agreed to both these conditions, and at first nominated someone (whom Mitra does not name, but who is believed to have been I. G. Patel) who did not accept the position. They then nominated Manmohan Singh, who accepted. The rest, as they say, is history.

Notes

1. Joseph E. Stiglitz, *Globalization and its Discontents*, New York: Norton, 2002, p. 18.
2. Ibid.
3. Three further examples shall be given here, though other additional examples exist. First, Rakesh Mohan, who initially worked with the World Bank (1976–80, 1983–86), later became Economic Advisor to the Ministry of Industry, Government of India. He then served in top positions in many policy-making bodies of the government including as Deputy Governor of the RBI and Secretary of the Department of Economic Affairs. Parthasarthy Shome worked at the IMF for most of the period between 1983 and 2004. During this time he was called in as Chairman of the Advisory Group on Taxation for the Ninth Five Year Plan, then as Chairman of the Advisory Group on Tax Policy. Most recently he has served as Special Advisor to the Finance Minister (2004–7). Ashok Lahiri worked for many years in the IMF before being brought into the Indian government as Chief Economic Advisor. After government service, he was sent to the ADB as Executive Director in 2007. These are only some examples of persons who started their careers with the Bank/IMF, were brought into influential policy making positions within the government, and were then allowed to move back and forth between the Bank and the government. Such examples could be multiplied endlessly.
4. Other officials who have moved freely between the Finance Ministry of the Government of India and the World Bank/IMF include M. R. Sivaraman who served as Revenue Secretary (1992–96) and immediately thereafter as the Executive Director of the IMF (1996–99); Y. V. Reddy, who served as Banking Secretary (1995–96), then as Deputy Governor of the RBI (1996–2002), before going to the IMF as Executive Director (2002–3), and being brought back as RBI Governor; Vijay Kelkar who, immediately after retirement as Finance Secretary in 1999, went on to become an executive director in the IMF till 2002, and then came back as an advisor to the Ministry of Finance; C. M. Vasudev who immediately after his retirement as Finance Secretary in 2002, went on to become an Executive Director of the World Bank; and Adarsh Kishore, who was Additional Secretary in charge of External Finance between 2000 and 2003 and then went on to become Financial Secretary until 2006 from where he proceeded to become Executive Director of the IMF.
5. Additional examples of officials who have followed a career path similar to that of Pradipto Ghosh include Cabinet Secretaries like Surendra Singh; the Secretary of Defence Production, Dhanendra Kumar; Officer on Special Duty to the Prime Minister, Ashok Saikia; and Additional Secretary of Water Resources, Radha Singh. There are many more.
6. Mashelkar held the following official positions in the World Bank while in the employment of the Government of India: Member, CGIAR Working Group on Science Council, World Bank (2002), Advisor, Development Gateway's Knowledge Economy, World Bank, USA (2002). http://www.csir.res.in/External/Heads/aboutcsir/leaders/DG/mashelkar-bio.htm, accessed 12 September 2009.
7. Information contained in the Petition No. 1363 filed by the CSIR Scientific Workers Association in the Supreme Court, which was admitted by the Court in 2006.
8. What is most remarkable, however, is that at least forty-two of these trips between November 1997 and July 2004 were made in his private capacity while he was on leave. Out of these, thirty-nine private foreign trips were made in the four years between 23 May

2000 and 2 July 2004 (approximately ten foreign trips per year). These included eighteen visits to UK, six to South Africa, six to Switzerland, four to USA, four to Indonesia and, interestingly, four to Croatia. It has come to light that Dr Mashelkar was taking large amounts of money from the World Bank and other organisations, such as the WIPO, as honorarium or consultancy fees during these visits. In fact, he had been getting far more money from these foreign organisations than as salary from the Indian Government, year after year. See endnote 7 for source of the above information.

9. Details of the act amending India's patent laws can be found at http://www.wipo.int/clea/en/details.jsp?id=2407, accessed 12 September 2009.
10. See, for example, Santanu Mukherjee, 'The New Indian Patent Law: A Challenge for India', *International Journal of Intellectual Property Management*, Vol. 1, 2006, pp. 131–49; P. Chatterjee, 'India's New Patent Laws may Still Hurt Generic Drug Supplies', *The Lancet*, Vol. 365 No. 9468, 2005 p. 1378.
11. The Foreign Contribution Regulation Act, which makes it an offence for a government official to accept any material contribution from a foreign agency, exempts the World Bank and other 'United Nations agencies'. This has further smoothed the path of those seeking World Bank/IMF/ADB jobs, assignments and travel grants.
12. The SPLT looks to build upon the Patent Law Treaty of 1 June 2001, which harmonised the formal procedures with respect to national and regional patent law. The SPLT aims to go beyond formal procedural law and alter the substantive content of the patent laws of different countries and regions. More details on the negotiating as it presently stands with regard to the SPLT can be found on the WIPO website, http://www.wipo.int/patent-law/en/harmonization.htm
13. http://www.wipo.int/edocs/prdocs/en/2005/wipo_upd_2005_241.html, accessed 12 September 2009.
14. Ashok Mitra, *Prattler's Tale: Bengal, Marxism, Governance*, Calcutta: Bhatkal and Sen, 2007.

5

The Changing Role of the World Bank in India

PRABHAT PATNAIK

We tend to think of the Bank as having operated in one particular manner throughout its history, but I believe that there have been very significant changes in the way the bank has operated, in relation to its concerns and the modus operandi it has used.

To start with, the Bank has always been in favour of trade liberalisation. The argument for trade liberalisation, in reality, serves a perpetuation of the pattern of international division of labour which existed in the colonial period. In the period after decolonisation, many Third World countries tried to break away from the pattern of division of labour that had existed in the colonial period, where they were mainly producers of primary commodities and importers of manufactured goods. They did so in order to build up a manufacturing capacity of their own, which was attempted through protection and by setting up all kinds of planning mechanisms in their respective countries. The World Bank from the very beginning had been opposed to this and here it was not alone. This is something that the leading countries and their sundry organisations had been totally opposed to as well.

In 1958, when the Eugene Black Mission (Black was the President of the World Bank) came to India, he advocated that India, instead of going in for heavy industrialisation, should rather concentrate on areas like agriculture. In other words, his suggestion was that India should remain stuck in the inherited pattern of colonial international division of labour, on the grounds that this was more efficient. Subsequently you had a situation where Robert McNamara became the President of the World Bank. McNamara was apparently very concerned about the need for poverty removal, but his prescription was that countries like India must not industrialise and must not protect their industries. In fact, he prescribed, for poverty removal, that India must introduce trade liberalisation and re-institutionalise the pattern of international division of labour inherited from colonial times.

Subsequently, the focus of the World Bank may have changed but the prescription has remained absolutely identical. Sometimes it is expressed in terms of the efficiency of free trade. Sometimes it is expressed in terms of the fact that the domestic terms of the trade are tilted against the peasantry, which is the cause of poverty. There are other ways in which the prescription is expressed, but fundamentally the World Bank has always been in favour of advanced countries dictating the type of international division of labour into which Third World countries are slotted. These days, this does not of course mean that you remain stuck in agriculture. You must produce cash crops and commercial crops; but it is permissible that a certain segment of advanced countries' lower-end manufacturing might actually shift to some developing countries. That is permissible. But any fundamental shift in the pattern of international division of labour that goes against the interests of the advanced countries is precluded by the whole series of World Bank prescriptions. This has been the World Bank's role throughout.

More recently, the World Bank has acquired a new concern and a new modus operandi and that is really what I want to talk about. The new concern is that a whole range of natural resources should in fact be privately appropriated. In other words, the World Bank is promoting the creation of private property in the realm of natural resources, which essentially also means opening up the whole domain of natural resources for ownership by private corporate players and multinationals. This is a major concern of the World Bank and it fits in with the kind of globalisation we are seeing. In this period of globalisation, the process of accumulation takes the form not just of setting up of new factories and/or the expansion of productive capacity, but accumulation in the sense of grabbing. Accumulation takes the form of grabbing public sector property, common resources, natural resources, the land of peasants and space occupied by peasants and petty producers. Marx would have called this 'primitive accumulation of capital' but I would use the general term that it is 'accumulation through encroachment'.

Accumulation through encroachment has become a very dominant feature of the contemporary process of globalisation. The World Bank underwrites this, promotes this, and through its numerous conditionalities creates a situation where accumulation through encroachment can thrive.

This process requires privatisation of public sector assets and the grabbing of common property resources by multinationals or by private corporate players. The latter often becomes possible merely by acquiring the central government's consent; but sometimes it requires a degree of complicity by lower tiers of the government.

As you know the World Bank has heavily infiltrated the Central government in India, especially the financial ministries. In addition, it has also heavily infiltrated every state government through a whole series of training programmes. Of late the World Bank is trying to enter the sphere of local self-governing institutions. One of the main purposes for entering local self-governing institutions is to facilitate the process of making available a whole range of resources hitherto not available for private appropriation.

These days I am located in Kerala. In Kerala and Karnataka, the process of decentralisation has gone much further than it has in most other states of India. Karnataka already has to satisfy a whole range of 'conditionalities' under a World Bank Agreement.[1] In Kerala, there is an attempt to impose a similar agreement which, of course, is being resisted. But the point is that all these agreements, all these attempts, are now at the level of local self-governing institutions. Different people use the term 'decentralisation' very differently. In Kerala, when the decentralisation experiment began, it was inspired by the ideas of the Left and of Gandhi; it was informed by visions of grassroots democracy and of democratic decentralisation. It was inspired by the idea of people's empowerment, where the people would decide how plan resources should be spent, because the state government had handed over nearly a third of the plan resources to the decentralised bodies. So decentralisation was a novel and remarkably positive thing.

However, progressively over time, although the term 'decentralisation' is still used, it has been increasingly appropriated by the World Bank. You find that it is not the people who are deciding what should be done. Instead, the World Bank gives loans and sets up conditionalities on what should be done at the level of the panchayats and urban local bodies.

The latest, and in my opinion an absolutely horrendous, example of this is the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The JNNURM is fundamentally a World Bank-proposed project. It was proposed by the International Development Association (IDA) and is operated through the Central government. I discuss JNNURM because it typifies the way natural or scarce resources, in this case land, are being made available for the private sector. JNNURM says that Rs 50,000 crore are available and they will be given to all kinds of districts if they submit proposals, which many of them are doing. But a number of conditions have to be satisfied.

In Kerala, the two main cities of Thiruvananthapuram and Cochin are eligible for JNNURM assistance. The State Planning Board, Kerala, of which I am the Vice-Chairman, submitted applications for Rs 1,500 crore but will not get more than Rs 1,000 crore, and probably less. One of JNNURM's conditionalities for accessing this money is the reduction of the rate of stamp duty in Kerala. Stamp duty collection is one of the most elastic and fastest growing revenue sources in Kerala. The State Planning Board made a calculation that if stamp duty were reduced immediately in line with the conditions of JNNURM, Kerala would lose Rs 7,000 crore of revenue over the lifetime of its involvement with programme.[2] In order to access Rs 1,000 crore in the form of JNNURM assistance, this condition meant that Kerala would lose Rs 7,000 crore of revenue.

When we pointed this out the representatives of the Government of India incharge of the scheme said that we did not have to enter into this immediately. The JNNURM has certain mandatory reforms and certain optional reforms. It was said that of the optional reforms we had to carry out only two. This being the case, the view within the state government naturally was that we should get rid of the reduction of stamp duty condition, at which point we were told that optional reforms were also mandatory. The only 'option' available to the state government was when, not if, to introduce the reforms. In other words, the whole set of reforms had to be introduced. It is just that for the mandatory reforms you have no choice, you must start right away. For the optional reforms you have a choice: you can do it now or you can do it five years down the line or you can do it four years down the line, and so on. Now, if you do it five years down the line, your revenue loss is less but perhaps it is still more than what you will be getting under the programme. But what will be the losses in the subsequent period?

The justification given for the aforementioned reform is an economic absurdity that goes under the name of the 'Laffer Curve': you lower the tax rates and your revenue goes up. This has been successfully sold by all kinds of vested interests, including the World Bank. It is argued by them that if you reduce the rate of stamp duty, then you will actually increase the revenue from stamp duty. This is complete nonsense. Nobody has any evidence for it. However, this is the rationale used for these conditionalities.

At the same time, a second condition of JNNURM was the removal of the Urban Land Ceiling.[3] So we have a situation where the urban land ceiling goes and land transactions become virtually non-taxable, with only a 5 per cent stamp duty. And as a result what you are doing is actually facilitating the accumulation of land in the hands of a few players, particularly a few large players, including multinational corporations.

When you have scarcity, for example food grain scarcity, it is essential to have statutory rationing. Otherwise, the market carries out an allocation of food grain which excludes a whole range of people and ultimately leads to famines. Whenever you have scarcity of any kind, and that is true of natural resources as well, you should not allow the market to play out its role. On the contrary, there must be an intervention; there must be an intervention on prices and there must rationing. Land must be made available for all kinds of purposes which are socially prioritised. Likewise, land must be made available at prices which are reasonable. On the other hand, if you leave it to the market, then those who have the means for purchasing scarce resources ultimately determine their end use. It is their consumption and their preferences that would determine the end use of scarce natural resources, precluding socially high-priority uses of all kinds, especially those which are beneficial for the poor. So this is an area in which precisely what is required is to have a ceiling, indeed to have greater state intervention in the functioning of the market and to allocate the scarce resources in accordance with some norms of social priority.

What you have at the moment, however, is precisely an attempt to undo this mechanism which we had put into place over a number of years. As a result, through JNNURM you have once again an effort to ensure that a scarce natural resource, in this case land, becomes as it were private property and becomes property that can be accumulated in the hands of a few people. These people are not going to accumulate property for the fun of it; they will do so only if it is profitable and if they can get capital gains on it. What is more, profitability requires that property (or for that matter, water) must be sold in the market and therefore you must have user charges: you must have commoditisation of the products that actually come out of these natural resources or you must have commoditisation of these natural resources themselves.

In essence, there is a new role that the World Bank is playing, which is over and above the trade liberalisation it has always advocated under different guises. This new role is over and above a perpetuation of an international division of labour to the liking of the advanced capitalist countries, which it has always been instrumental in imposing. Of late the Bank is increasingly playing the role of ensuring that scarce natural resources become commoditised and concentrated in the hands of a few, large, private players. Consequently, a large number of people are excluded from their use.

For this purpose, the World Bank is now entering the sphere of decentralised bodies. It is entering into direct contact with local urban bodies, panchayats and municipalities.[4] This has very important political implications in terms of a possible fracturing of the polity itself, but additionally it has very important economic implications in the commoditisation of natural resources.

The remarkable thing is that the World Bank does all this with very little money. One important change that has taken place is that the amount of money that the World Bank gives in the form of aid is very little. The World Bank is a fairly cash-strapped organisation at this time. Despite this, the small amounts of money distributed by the World Bank are used for applying all kinds of pressure.

In the case of Kerala I know that the panchayats are not in a position to spend the funds made available to them from the state plan. They get about 30 per cent of the total state plan budget and their expenditure almost invariably never exceeds 75 per cent of this, if you take the panchayats as a whole. As a result, effectively hundreds of crores of panchayat-planned funds are lying unutilised. I am sure this is true everywhere else because having projects and spending this money takes time.

Fundamentally, it is the case that the panchayats have plenty of funds. When they have plenty of funds, they do not really need the World Bank money. And if they do not need the World Bank's money, then why does the World Bank come and create all these conditionalities? I think their modus operandi has again changed in a way such that it is no longer the amount of money given which is the key factor. In fact, in Karnataka, the entire World Bank proposal for panchayat administration, which is in force at the moment, has been pushed through a loan of Rs 400 crore. Now Rs 400 crore is really a trivial amount for a state like Karnataka. Nonetheless that is all that the Bank has spent in order to push through its panchayat reform scheme. Likewise, I am sure in Kerala the amount that will actually be given by the World Bank will be trivial. On the other hand, it will totally alter the decentralised structure in favour of user fees, removing urban ceilings and the other aforementioned points.

One of the ways that the World Bank does this, of course, is through its massive infiltration of the bureaucracy. Its infiltration into the central bureaucracy has been discussed but its infiltration into the state bureaucracy is also a very significant phenomenon. I know that large numbers of senior Indian Administrative Service (IAS)[5] officers in Kerala periodically attend training programmes organised either by the World Bank directly, or by the World Bank teaming up with some other donor agencies, or by the Government of India with World Bank 'assistance'. Large numbers of IAS officers from most states periodically go to the World Bank and Washington DC for training programmes. I regret to say at this moment that our Prime Minister is even saying that our IAS officers should be going to places like Harvard for training. The fact that we domestically cannot or do not wish to mobilise the intellectual resources which we used to do in the old days to carry out the training of senior administrative officers is a shame.

The Bank utilises this training in many ways in order to infiltrate the bureaucracy. This infiltration acts as a very important lever through which, by spending a trivial amount, the Bank is able to manipulate changes in many important laws of the country. I think this is something which is going to have very disastrous consequences. I can speak for Kerala where the land-man ratio is extremely adverse. In a situation like that, if you leave land as a commodity to be settled by private market players, then you can face disastrous consequences. Sometimes it is said that the market promotes industrialisation. In the case of Kerala, land prices are so high that no industrialist would like to locate his plants in Kerala because he can go to a neighbouring district in some other state and get the land much cheaper. So the idea that somehow leaving things to the market is beneficial for enterprise is a completely absurd idea; on the contrary, in these situations where scarce natural resources are being privatised, it is the speculators who are going to takeover and you will find that genuine enterprise will actually be punished. The poor will be excluded, enterprise will be punished and development of any worthwhile sort will be thwarted. Speculation will flourish.

That is in keeping, however, with the new role or the new concerns of the World Bank in throwing open the entire sphere of scarce natural resources for private appropriation. This opening up is central to the current phase of globalisation and it will have disastrous consequences for our future.

Notes

1. Conditions of the Karnataka Economic Restructuring Loans I and II include withdrawal of subsidies and other reductions in public expenditure, cutbacks in government employment, reducing pensions and wage structures, disinvestment of public sector and creating a better environment for private investment. See the chapter on Karnataka in Part V of the current volume for an analysis of these loans and their impacts on the state.
2. It is a seven-year project and Kerala entered after two years had passed. So these calculations are based on the remaining five years.

3. The 1976 Urban Land Ceiling Act was created to prevent the concentration of urban land ownership, to prevent real estate speculation and to serve the common good by creating an equitable distribution of urban land.
4. India has institutionalised a system of local village governance called the 'panchayat' system. It gives certain areas of authority and funding to elected councils at the village level. Urban areas are locally governed by elected municipal corporations and municipal councils.
5. Members of the Indian Administrative Service are appointed by the President of India, and serve under the various state governments.

II

Poverty and Employment

6

Poverty

Persistence, Entry and Escape

AASHA KAPUR MEHTA[1]

Poverty Incidence and Trends

Over the last six decades, systematic efforts have been made to reduce poverty in India. These include increasing economic growth, direct attacks on poverty, land and tenancy reforms, participatory and empowerment approaches, and provision of basic minimum services.[2] As a result of all these interventions and due to the efforts made by the poor themselves, the incidence of poverty in India declined from 54.9 per cent in 1973–74 to 36 per cent in 1993–94, and then to 27.5 per cent in 2004–5 (see Table 6.1). An estimated 301.7 million people live below the poverty line. While poverty has declined, the reduction is well below anticipated.

Despite plans and poverty alleviation strategies, we have unacceptably high levels of poverty, with many among the poor unable to get even two square meals a day. Our high rates of economic growth have not reached the poor because growth has not been inclusive and because agricultural growth in particular has been low and decelerating.

The poverty line that is used by the Planning Commission to estimate the number of people in poverty is set at extremely low levels. For 2004–5 it was just Rs 356 (US$ 9.01) per capita per month for rural areas and Rs 538 (US$ 13.62) per capita per month for urban areas. But 28.3 per cent of Indians in rural areas (220.92 million persons) and 25.7 per cent of Indians in urban areas (80.79 million persons) are unable to earn even these low levels of income.[3]

Table 6.1 Poverty: Percentage of Population and Number of People below the Poverty Line, 1973–74 to 2004–5

Year	*Percentage of Population below the poverty line*	*Number of people below poverty (in millions)*
1973–74	54.9	321.3
1977–78	51.3	328.9
1983	44.5	322.9
1987–88	38.9	307.1
1993–94	36	320.3
1999–2000	26.1 (different method)[4]	260.2 (different method)
2004–5	27.5	301.7

Source: Planning Commission, 'Draft Ninth Five Year Plan (1997–2002)' and Government of India, 'Poverty Estimates for 1999–2000', Press Information Bureau, 22 February 2001 and March 2007.

Poverty is actually far higher and far more chronic than is postulated by this data. The reason is that the official poverty line is rooted in calorific norms with a marginal allocation for non-food items on the assumption that basic needs required for survival such as health care and education are provided by the state. However, due to policies adopted because of the pressure from the World Bank and International Monetary Fund (IMF), services that should be provided by the state are no longer available to the poor, particularly in the context of health. World Bank and IMF policies are responsible for a reduction in state services due to the privatisation of health care, and for the levying of user charges. The poverty line, therefore, needs to be realistically corrected upwards for the basic needs that are not being met by the state. If we correct the poverty line upwards by including the money that is required to meet those needs, then most of India's population will fall below the poverty line.

Among those who are worst affected by the impact of structural adjustment and fiscal compression pressures to reduce government expenditure are the following:

1. Small and marginal farmers due to withdrawal of state support and reduced public investment in agriculture, with adverse effects on agricultural productivity and poverty.
2. The poor who depend on public provisioning for health, due to crumbling health infrastructure, poor diagnostics, user fees and lack of access to medicines.

Over the past thirty years the pace of poverty reduction has slowed. Poverty had declined by 12.4 per cent over the ten-year period before the 1991 World Bank/IMF structural adjustment loans. The decline in poverty was from 51.3 per cent of persons living below the poverty line in 1977–78 to 38.9 per cent in 1987–88. In the eleven years after the World Bank/IMF loans, there is reduction by only 8.5 per cent. The number of people living below the poverty line was 36 per cent in 1993–94, and this only dropped to 27.5 per cent in 2004–5.

Unmet National and International Goals[5]

The Tenth Plan (2002–7) monitorable target for poverty was a reduction of the poverty ratio by 5 per cent by the end of the Five Year Plan (2007). This has not been achieved since the incidence of poverty was 36 per cent in 1993–94, approximately 29 per cent in 1999–2000 and 27.5 per cent in 2004–5. Similarly, the global first Millennium Development Goal (MDG)[6] requires that we halve between 1990 and 2015 the proportion of people whose income is less than US$ 1 a day. This too will not be achieved as Annex Table 1A.1 of the *Global Monitoring Report 2007*,[7] shows that the percentage of poor was 44.3 in 1990 and 35.8 in 2004. The achievement in poverty reduction is 8.5 percentage points over fourteen years. Halving from 44.3 per cent or reaching the target of 22.15 per cent by 2015 needs a 13.65 percentage point reduction in poverty in eleven years. This cannot be attained with present approaches.

Poverty: Persistence, Entry and Escape[8]

While there is a large volume of literature on poverty in India, disaggregation in terms of understanding the extent to which people persist in poverty or are stuck in poverty or are chronically poor, is limited. This is an important issue, and in his first address to the nation as Prime Minister, Manmohan Singh noted with concern that 'chronic poverty afflicts millions who lack income and food security'.[9] Determination of poverty as chronic or transient requires that the same households be tracked over time. That is, you need to follow the same set of households over time to see how many of households that were poor remained in poverty or are stuck in poverty, how many escaped poverty, and how many non-poor households became poor. The limited panel data that exists for India[10] studied 3,139 poor households from 260 villages during the period 1970–71 and then revisited the same households in 1981–82. This study clearly shows that among this group, 52.61 per cent of those who were poor were stuck in poverty, 47.39 per cent escaped poverty and another 25.74 per cent became poor. When the same households were visited again in 1998, it was found that 56.5 per cent of those who were poor were stuck in poverty and 33 per cent of non-poor became poor or entered into poverty.[11]

However, policy-makers in government and the World Bank do not recognise or understand that different approaches are required to escape from poverty, prevent entry into poverty and to enable those who are stuck in poverty to get out of it.

What enables escape from poverty is increased earning opportunities. This can be through access to income from physical assets such as land for agricultural production, having access to livestock or a house, proximity to an urban area, improved infrastructure that is relevant for the poor, and initial literacy status of the head of household.

Factors that cause entry into poverty include shocks such as crop failure, high health care costs, adverse market conditions, loss of assets, high interest rates paid to moneylenders, and social expenses on deaths and marriages. Much of this can be prevented through policy interventions.

Policy needs to address the factors causing persistence of poverty. Since most of those who are in chronic poverty are casual agricultural labourers, lack assets and are dependent on wages for survival, what happens to wages is very critical in the context of being able to get out of poverty. The National Rural Employment Guarantee Act (NREGA) guarantees 100 days of unskilled work at the minimum wage to each household. While the limited entitlement of only 100 days of employment in a year, that too at the level of the household, cannot eradicate poverty, it can reduce severe distress, provided implementation is effective. If the NREGA is to make a dent on chronic poverty, it needs to be extended to work on demand throughout the year for all adults across India and additionally the minimum wage must be enforced.

Multidimensional Deprivation

The poor suffer deprivation in multiple ways and not just in terms of income. For the bulk of the poor, multidimensional deprivation[12] and poverty have persisted over decades and are chronic in nature in many districts of this country. We used multidimensional indicators for 379 districts in fifteen large states of India for the early 1990s on the basis of variables that can be considered to reflect persistent deprivation to determine the most deprived districts. The variables used were illiteracy, infant mortality, low levels of agricultural productivity and poor infrastructure. The fifty-two to sixty most deprived districts out of 379 districts in fiftteen large states of India are distributed as follows: twenty-one to twenty-six districts in Madhya Pradesh, eleven to twelve districts in Rajasthan, six to ten districts in Uttar Pradesh, between five and eight districts in Bihar, four districts in Orissa and one district in Assam. The list of most deprived districts remains constant even with some variations in indicators used and changes in method of computation. It is important to recognise this as identification of districts that reflect chronic deprivation in multidimensional parameters is the first step in determining strategies to correct such imbalances.

We must also resist pressures to divert lands to the rich and to displace the poor. We are currently diverting their lands to accommodate large projects such as special economic zones. Liberalisation and privatisation policies are prioritising commercialisation over livelihoods. The priority has to be for food crops because they provide food and fodder security for the poor. If the priority is to reduce poverty, then prime agricultural land must not be diverted from agriculture.

Poverty and Farmer Suicides[13]

The suicides by cotton farmers are a result of a combination of global and domestic factors and failures. Globally, the high subsidies to cotton farmers in the US and other countries led to overproduction of cotton which in turn artificially depressed world prices. World Bank and World Trade Organization (WTO) pressures for more openness and reduction in levies on imports due to globalisation meant that domestic cotton farmers were now forced to compete with artificially reduced world prices of cotton. Therefore, globalisation had spill-over effects in terms of causing losses for domestic cotton producers. The state failed to intervene at multiple levels to control this. These global factors were compounded by failures on the domestic front that included the decline in yields due to negligence of the state in checking the supply of spurious seeds and pesticides; roll back of the State Agricultural Extension Machinery due to pressures on the fisc created by structural adjustment policies and that led to inability of the Government's Extension Department to provide timely counselling on farm technologies; failure of the state to provide access to institutional credit; failure of the state to invest in agricultural infrastructure and irrigation; lack of knowledge of the farmers regarding the optimum use of pesticides and of pesticide resistance; wrong, risky and failed investments by farmers in boring tube wells; and exploitation of the situation by private agents, moneylenders and middlemen. Failure of the community or the nation has occurred in that we have not responded to the crisis by rushing help (in contrast to aid provided to tsunami victims) and instead have chosen to wait for committees to be appointed and provide policy suggestions and for government to act on them.

What is cause for additional concern is that reports of distress are from people who were not poor, who owned land, had farms and despite this, entered into poverty. The suicides are the result of losses and distress suffered by landowning (and not asset-less) farmers and the distress has occurred in states and districts that are not among the most deprived.

Health-related Shocks[14]

Ill health creates immense stress even among those who are financially secure. Most of those who are poor are dependent on casual wage labour for survival. The food that they and their families eat is based on money earned from working each day. Ill health and inability to work create two sets of problems. On the one hand, income is not earned and, on the other hand, there is expenditure on medication. The decline in the share of public expenditure on health has worsened the distress of the poor as it has meant that the poor are asked to pay user fees for case papers, x-rays, diagnostics and medicines. This means that they are denied health care because they cannot afford it.

The National Rural Health Mission[15] notes that 25 per cent of Indians fall below the poverty line because of hospital expenses. Hospitalised Indians spend on an average 58 per cent of their total annual expenditure on medical care. Most do not have insurance and borrow heavily or sell assets to cover expenses. Any chronic illness such as tuberculosis, cancer or HIV is a shock that can exacerbate the distress of those who are poor and drive many of the non-poor below the poverty line.

The National Sample Survey (NSS) data for 1986–87 (42nd round) and 1995–96 (52nd round) show that over this period, the proportion of ailing persons based on a 30-day recall increased from 6.4 per cent to 8.6 per cent in rural areas and from 3.1 per cent to 8.4 per cent in urban areas. The morbidity estimates from the 60th round of NSS (January to June 2004) showed a significant increase in the proportion of ailing persons. The estimates based on a 15-day recall increased from 5.5 per cent in 1986–87 to 8.8 per cent in 2004 in rural areas and from 5.4 per cent to 9.9 per cent in urban areas.[16] The proportions were marginally higher among the women as compared to men, both in the rural and urban areas.

Micro-studies reflect far higher estimates of morbidity. For instance, the Centre for Multi-Disciplinary Development Research[17] (2004) survey showed that morbidity was around 27 per cent in Maharashtra, 18 per cent in Karnataka and 27 per cent in Orissa. Further, all three states had a high incidence of communicable diseases, possibly due to poverty and malnutrition and environmental factors such as poor sanitation and the lack of safe drinking water.

Public expenditure on health care is clearly declining and there is clear policy failure in health. Even in the area of HIV/AIDS where there are large sums of money available from domestic sources and private, bilateral and global funds, official data recognises that only 10 per cent of those who needed anti-retroviral drugs in the year 2006 were able to get them.[18] Many of those who are affected by HIV/AIDS do not have access to these funds and incur severe debt and penury in dealing with the medical expenditure, especially as they move into the AIDS stage.[19]

There is a case of 25-year-old Amira (name changed) who was diagnosed as HIV positive, works as a domestic servant and earns Rs 1,800 per month. She has two daughters, is a widow and is now also HIV positive. She is spending Rs 1,500 on anti-retroviral medicines every month in the hope that she will eventually get on the government list that will provide her these medicines. This is the lived reality of not one but of multitudes who are suffering from just this one disease and there are so many.

A focus group discussion with thirty HIV-positive commercial sex workers made it clear that they were the worst affected as the consequences of their HIV-positive status being discovered included getting thrown out of the brothel. Despite frequent opportunistic illnesses, they have no place to live, no place to rest, or bathe, or use the toilet, or wash clothes. The police do not allow them to sit on the road. The pay-and-use facilities have meant that even though they have no money to buy a cup of tea, they need to somehow get money to be able to use a toilet. This is part of the lived reality for women with AIDS: having to pay for using bathroom facilities when you suffer from diarrhoea for fifteen days in a month due to opportunistic illness. These are the complications and problems that poor people face on a daily basis in the context of the state withdrawing, the state being inefficient, the state succumbing to pressure from the World Bank and the corporate sector.

Recommendations

What then are the priority recommendations for those who are poor?

- The importance of publicly provisioned, affordable and reliable health care cannot be overestimated. This is critical to prevent the non-poor from entering into poverty and to reduce the suffering of those who are already below the poverty line.
- Urgent, mandatory, universal access to preventive and curative treatment.
- Strengthening of all primary health centres and public hospitals in order to ensure access to reliable, quality medical care. Twenty-four-hour functional diagnostic testing facilities, ambulances to link primary health centres to hospitals, effective drugs through revised schedules and information regarding medication regimen.
- Work on demand for all those who are able-bodied throughout the year at least at the minimum wage rate.
- Strong extension and technical support in the context of crop management practices.
- Strengthening of public investment in agricultural infrastructure.
- Provision of safety nets for all those who are old or disabled or ill.
- Provision of access to community care homes and hospices for all those needing them.
- Priority access to safe drinking water in homes as well as for those without homes.
- Access to toilets for the homeless and elimination of user fees for toilets.
- Shelters for pavement dwellers.

Notes

1. Based on the Chronic Poverty Research Centre-Indian Institute of Public Administration (CPRC-IIPA) Working Paper Series Nos 1 to 34 and on Aasha Kapur Mehta and Trishna Satpathy, 'Poverty Persistence, Entry & Escape: Policy Issues Based on Successes and Challenges in India', draft paper presented at the International Poverty Conference, Kuala Lumpur, 11–13 December 2007.
2. Aasha Kapur Mehta and Amita Shah, 'Chronic Poverty in India: Incidence, Causes and Policies', *World Development*, Vol. 31, No. 3, March 2003, pp. 491–511.
3. Planning Commission, 'Poverty Estimates for 2004–5', Press Release, March 2007.

4. The 1999–2000 estimates of poverty were based on change in methodology.
5. This section is based on Kapur Mehta and Satpathy, 'Poverty Persistence, Entry & Escape'.
6. Reduce by half the proportion of people living on less than a dollar a day. For more detailed information on the MDGs see: http://www.un.org/millenniumgoals/
7. World Bank, *Global Monitoring Report 2007: Confronting the Challenges of Gender Equality and Fragile States*, Washington DC: International Bank for Reconstruction and Development, 2007, p. 65.
8. This section is based on Shashanka Bhide and Aasha Kapur Mehta following papers, Aasha Kapur Mehta and Shashanka Bhide, 'Issues in Chronic Poverty: Panel Data based Analysis', in *Chronic Poverty in India*, ed. Aasha Kapur Mehta, et al., New Delhi: IIPA-CPRC, October 2003; Shashanka Bhide and Aasha Kapur Mehta, 'Correlates of Incidence and Exit from Chronic Poverty in Rural India: Evidence from Panel Data', CPRC-IIPA Working Paper, 15 May 2004; Shashanka Bhide and Aasha Kapur Mehta, 'Tracking Poverty through Panel Data: Rural Poverty in India, 1970–98', *Margin*, July–September and Oct–December 2006;. and on Nidhi Dhamija and Shashanka Bhide, 'Dynamics of Chronic Poverty: Variations in Factors Influencing Entry and Exit of Chronic Poor', CPRC-IIPA Working Paper 39, 2009.
9. *The Hindu*, 25 June 2004.
10. The only national rural panel data in India is from the National Council of Applied Economic Research.
11. See Aasha Kapur Mehta and Shashanka Bhide, 'Issues in Chronic Poverty: Panel Data based Analysis'; Shashanka Bhide and Aasha Kapur Mehta, 'Correlates of Incidence and Exit from Chronic Poverty in Rural India: Evidence from Panel Data'; Shashanka Bhide and Aasha Kapur Mehta, 'Tracking Poverty through Panel Data: Rural Poverty in India, 1970–98'; Nidhi Dhamija and Shashanka Bhide, 'Dynamics of Chronic Poverty: Variations in Factors Influencing Entry and Exit of Chronic Poor'.
12. This section is based on Aasha Kapur Mehta (assisted by Nikhila Menon and Deepa Chatterjee), 'Multidimensional Poverty in India: District Level Estimates', in *Chronic Poverty in India*, ed. Aasha Kapur Mehta, Sourabh Ghosh, Deepa Chatterjee and Nikhila Menon, New Delhi: IIPA and CPRC, 2003.
13. Based on Aasha Kapur Mehta and Sourabh Ghosh, *Globalisation, Loss of Livelihoods and Entry into Poverty, Alternative Economic Survey, 2004–05*, New Delhi: Daanish Books, 2005.
14. Based on Aasha Kapur Mehta and Sreoshi Gupta, *The Impact of HIV/AIDS on Women Care Givers in Situations of Poverty: Policy Issues* New Delhi: UNIFEM and IIPA, 2006, http://www.unifem.org.in/pdf/HIV/Complete.pdf.
15. Government of India, National Rural Health Mission Document 2005–2012.
16. Government of India, Press Note, 16 March 2006.
17. P. R. Panchamukhi and S. Puttaswamaiah, *Morbidity Status, Utilization and Cost of Treatment: A Comparative Study in the Selected States*, Dharwad: Centre for Multi-Disciplinary Development Research, .
18. National AIDS Control Organization, 'A Draft Report on Independent Evaluation of National AIDS Control Programme', New Delhi: Ministry of Health, 2007, p. 70, https://www.nacoonline.org/upload/Finance/Draft%20Report%20on%20Independent%20Evaluation%20of%20NACP.pdf, accessed 23 August 2009.
19. Aasha Kapur Mehta, 'Gender Budgeting', *Alternative Economic Survey*, New Delhi: Daanish Books, 2007.

7

Employment in the Time of Liberalisation

PRAVEEN JHA

Regarding employment in the time of liberalisation, the following will show some trends in employment based on data from the period starting from the 1980s and the 1990s, and particularly focusing on the last twenty years, until 2005. The most important source for all this data is the National Sample Survey (NSS)[1] and I will be discussing this on the basis of their data. The first thing which is very clear from this data is that in comparison to the 1980s, the second half of the 1990s, which we consider as the period of neo-liberalisation, was a completely destructive period as to employment.

The figures of the pre-reform period between 1983 and 1994 show that in the rural areas, the total annual growth rate of employment was 2.4 per cent. During the period from 1994 to 2000, this rate reduced to 0.6, almost one-fourth. In Indian history after 1950, there had never been such a severe drop. Suddenly, employment generation became almost invisible.

The story is the same in urban India. During the 1990s, the rate of employment generation was almost half of what it was in the 1980s. It was close to 2 per cent per annum during the whole decade of the 1980s. During the 1990s it dropped to less than 1 per cent.

Certainly, if the rate of employment generation goes down in such a manner, the quality of employment will also get affected in several ways, and that is exactly what happened. These effects began in the early 1990s, but this trend worsened in the later half of the decade. Informalisation, in terms of worsening of the quality of jobs, became a major issue during this period. On one hand, employment generation was coming down and, on the other hand, the quality of employment was being negatively affected. This manifests as the rate of casualisation and the rate of informalisation. Ninety-three per cent of the total workforce of India is in the informal sector. The formal sector workforce is very small, and in that small segment also significant informalisation becomes a trend during the so-called reform period.

The latest figures of the 2004–5 NSS make one thing very clear. Many economists did not understand how the employment growth rate started increasing in 2004–5. If you see the figures, there is certainly an increase in the rate of employment generation, but in the same period (2004–5) unemployment too increased rapidly. Wage employment generation is totally eliminated from the Indian scenario, especially in the rural areas. The employment generation which took place was all self-employment. You do not get employment anywhere, so you work at odd jobs on your own.

This is exactly what is happening during the most recent period for which the NSS data is available. For example, if you look at agricultural labour, between 1999–2000 and 2004–5 wage employment went down by 3.6 per cent. People who work in this field find all this very strange. You will expect that when the economy is developing, avenues of paid employment should also increase. But in both rural and urban areas, there is a remarkable decrease in paid employment.

The main point from the data is that both in quantity, that is rate of employment generation, and in quality of employment, which is measured by looking at things like informalisation and casualisation, the period of economic reform has been devastating from the point of view labour. In fact, the most recent increase that you see in employment generation is not necessarily a positive thing. Some people say that it is a good thing in India that almost 40 per cent of the population is eighteen years or younger. This is based on the 2001 census. People very happily say that it is a demographic dividend. Our working population is very young, especially in comparison to Europe and America where aging has become a problem. But in fact, the demographic dividend is actually a demographic time bomb. The figures of unemployment in the segments of 15 to 19 and 20 to 24 years age group, which make us very happy for its potential for demographic dividents—the rate of unemployment range between 15 to 20 per cent. This is the segment where unemployed youth often go astray and sections of them take to crime, violence, etc. Now this situation of course can be an opportunity, provided we have the right kinds of policies. But what is actually happening is that we are pushing young people into activities which are extremely negative for themselves as well as for the society as a whole.

Unemployment rates for them are in the neighbourhood of 20 per cent, which is extremely large. In order to understand the situation clearly, we should look at the wage trends. I looked at one of the major data sources for agricultural wages called *Agricultural Wage in India*, published by the Ministry of Agriculture, Government of India. As per this data source, while comparing the 1980s and the 1990s, it is found that more than 50 per cent of India's districts actually saw a decline in real wages during the 1990s. This is in the agricultural sector. It has actually declined. This is not the decline in rate of growth of wages; this is the shrinking of the wage. In 50 per cent of the districts, it is less in the 1990s than it was in 1980s.

If you look at the organised industrial sector from 1981 to 2004,[2] you will find similar trends. The sector shows a great increase in output per worker, the productivity gains went up by almost three times during this period. But during the same period[3] if you look at real wages, there was a decline in real wages in this most sought-after segment by almost 11 percentage points. Just think about this: in a sector which has shown a growth rate of 10 per cent, 12 per cent or 15 per cent, what is the condition of workers in that segment? If we just look at these two things—employment generation and quality of employment—it becomes a very scary situation. What are the reasons for this?

As is well known, neo-liberal globalisation has resulted in a drastic change in the macroeconomic policy regime, particularly regarding finance capital. The country is experiencing a decrease in the capability to make policies and the capability to implement those policies. That autonomous policy space is no longer there. Organisations like the World Bank and the IMF are the ones favouring neo-liberal globalisation, and they have influenced India's policy-making greatly. India is now a country where there is no difference in the thinking of its policy-makers and the World Bank. This becomes physically manifested when people like Montek Singh Ahluwalia,[4] who has served the World Bank for a long time, become so influential.

So, based on the fact that the policy space is disappearing and based on policy interventions such as the Fiscal Responsibility and Budget Management Act, the notion of fiscal discipline, the whole macroeconomic deflation of the period and all of these policies of the World Bank and its supporters, it should become very clear that there is a direct, causal connection between these policies and what is happening in employment and labour in general. So in terms of causal connections, it is very, very clear that it is these policies which are doing tremendous damage as regards the prospects of employment, the quality of employment and the earnings of workers in this country. There is absolutely no doubt that these policies must be held responsible and accountable for the huge damage that they have already inflicted on our society and economy. Even more worrying are the days ahead. If we continue on the same path, I can only visualise unfortunately a bloodbath everywhere in this country.

Notes

1. India's National Sample Survey (NSS), initiated in the year 1950, is a nation-wide, large-scale, continuous survey operation conducted in the form of successive rounds. It was established to fill up data gaps for socio-economic planning and policy-making through sample surveys. See http://mospi.gov.in/websitensso.htm.
2. For detail see C. P. Chandrashekar and Jayati Ghosh, 'Recent Employment Trends in India and China: An Unfortunate Convergence?', 2007, http://www.macroscan.org/anl/apr07/anl050407India_China.htm.
3. 1981–84 and 2002–4.
4. Deputy Chairman of the Planning Commission, India. He was appointed to the post on 16 June 2004.

8

The World Bank and Labour in India

J. JOHN AND R. S. TIWARI

The macroeconomic policies imposed by the World Bank have had a major impact on the rights of Indian workers, both directly and indirectly. Its policies have generated a political and material system which enables employers to systematically deny workers' rights. This system has become legally binding at the national level and principally accepted at international levels. India has partnered with the World Bank for nearly sixty years, but major policy changes were effected starting in 1991 through the World Bank's structural adjustment programme (SAP). While many of the initiatives emanate from the Indian government, the neo-liberal macroeconomic framework was dictated by the Bank. Its policy prescriptions have increased the vulnerability of workers and deprived the livelihood rights of millions of people in India.

This chapter begins by giving an overview of the Bank's SAP in relation to labour and then examines resulting policy changes within a labour rights framework. It will discuss the impacts of closing a public sector enterprise in Karnataka and then examine the impacts of structural adjustment and privatisation on fisherfolk.

The Structural Adjustment Programme in India

The structural adjustment reform process that led to major policy shifts in the 1990s included the following major components[1]:

- Reduction of state's economic presence in order to curb the fiscal deficit
- Liberalisation of imports to facilitate the domestic private sector
- Domestic deregulation to facilitate the working of the market in order to discipline economic activity
- Increased freedom to international productive and financial capital

- Rationalisation of tax policies to ensure that the private sector replaces the state as the engine of economic growth

The Structural Adjustment Loan agreement between India and the IBRD dated 5 December 1991 included conditions mandatory for receipt of the loan. Schedule IV of the agreement outlines the list of loan conditions. The following four sections pertain directly to the industrial sector and have had major consequences for Indian workers.[2]

1. Amendment of SICA: 'the borrower has introduced in its Parliament a Bill to amend its Sick Industrial Companies Act of 1985 (SICA), satisfactory to the Bank, providing, inter alia, for the following: (*i*) improving the criteria for determining sick industries and (*ii*) strengthening the Board for Industrial and Financial Reconstruction (BIFR) created under SICA and improving and streamlining its functions and procedures'. It further states that the borrower should 'eliminate budgetary transfers and loans to central public enterprises deemed to be sick under criteria set forth in SICA, as such criteria may be amended….'

In line with this, the Government of India in 2004 passed a bill to repeal SICA and consequently abolished the Appellate Authority for Industrial & Financial Reconstruction (AAIFR)/ Board for Industrial & Financial Reconstruction (BIFR) and replaced it with the National Companies Law Tribunal (NCLT) to expedite the process of closing sick companies as against the proclaimed objective of reviving sick industrial units. For workers, this has meant and will continue to mean retrenchments and lay offs.

2. The National Renewal Fund (NRF) for Workers: 'That the Borrower has specified, in respect of its National Renewal Fund established for the purpose of financing unemployment insurance and redeployment and retraining of public and private workers, all relevant details including, inter alia, its objectives, scope, structure, operations, sources and methods of funding, criteria and mechanisms for providing support to workers.'

However, in reality the NRF was directed towards paying for retrenchment costs and other liquidating expenses including a fund for the Voluntary Retirement Scheme (VRS).

3. Defunding Public Enterprises: '(*i*) eliminate budgetary transfers and loans to central public enterprises deemed to be sick under criteria set forth in SICA, as such criteria may be amended; (*ii*) eliminate budgetary plan support through loans and equity for public enterprise investments except in the energy, transport, and other infrastructure sectors; and (*iii*) limit government guarantees of central public enterprise borrowing to those enterprises engaging in essential

infrastructure, exploitation of oil and mineral reserves, and strategic activities….' It further states, 'the Borrower has completed the divestment of at least 20 per cent of the equity of selected central public enterprises satisfactory to the Bank so as to yield a sum of at least Rs 25 billion.'

Resulting reforms in the public sector include the de-reservation of areas reserved for the public sector and allowing for the entry of the private sector. Industries reserved for the public sector gradually reduced from seventeen to three.[3] Budgetary support was removed from public sector enterprises (PSEs). The professionalisation of the boards of public sector companies changed their priorities from social objectives to economic considerations.

Divestment of PSEs was an integral part of the reforms carried out in the public sector. The Second National Labour Commission states that a large number of workers have lost their jobs as a result of the following VRS, retrenchment and closures, both in the organised and unorganised sectors. The exact number is not available. No data on this subject has been compiled by any state government.[4]

4. Customs Tariffs: 'the Borrower has completed a review to reform the customs tariffs, and based on the recommendations of such review, has (*i*) adopted a medium-term plan of action, including a timetable for implementing such plan, satisfactory to the Bank, in order to simplify the structure of tariff rates so as to substantially reduce their variability and the incidence of exemptions and partial exemptions, minimize the use of specific tariffs, and substantially reduce the average and maximum levels of tariffs; and (*ii*) reduced the maximum level of customs tariffs to a level satisfactory to the Bank….'

Along these lines, the liberalisation of import trade was one of the major policy reforms. Trade policies since the 1990s focused on the dilution and removal of quantitative restrictions for a number of tariff items, licensing and other control measures to regulate imports. Successive policy reforms have brought down the peak tariff rate from more than 300 per cent in 1991 to 10 per cent in 2007. Reforms in trade policy have reduced the protection available to the domestic industry. It was predicted that as the reforms of trade policy involve labour-intensive areas, it would lead to an initial period of net job losses, but this would actually create more employment over time. However, this fails to recognise the impact that volatility in the international market would have in increasing the vulnerability of workers.

Impacts of World Bank Policy

According to a recent report of the Bank, *Doing Business in South Asia 2007*,[5] 'in India 8 million workers have formal jobs in the private sector—in a country of over 1 billion people and a workforce of 458 million.… Reform can change this, by making it easier for formal businesses to create more jobs.… Reform also expands the reach of regulation by bringing businesses and workers into the formal sector. There, workers can have health insurance and pension benefits'.

However, experiences of economic reform in India clearly reveal that since the 1990s there has been a decline in formal employment and an increasing informalisation of employment relations. Employment trends also clearly indicate the burgeoning growth of the workforce in the unorganised sector. There has been a rapid reduction of the permanent workforce and an increase in informalisation in the formal sectors. In the post-reform period, employment in formal and informal sectors has become increasingly linked and can no longer be seen as mutually exclusive sectors.

The National Sample Survey Organisation (NSSO) data reveal that while the total employment in the economy has increased from 396.8 million in 1999–2000 to 457.5 million in 2004–5, this increase has been in the informal/unorganised sector where the workforce has increased from 361.7 million (91.2 per cent) in 1999–2000 to 422.6 million (92.4 per cent) in 2004–5. The increase even in the organised sector has been informal in nature. Only about 0.4 per cent of workers were receiving social security funds and this proportion has not changed since 1999–2000[6] (see Table 8.1).

Table 8.1 Relationship between Sector and Type of Employment, All Workers 1999–2000 & 2004–5

Sector/ Worker	*Total Employment (Million) Informal/Unorganised Worker*	*Formal/ Organised Worker*	*Total*
	1999–2000		
Informal/Unorganised sector	341.3 (99.6)	1.4(0.4)	342.6(100.0)
Formal/Organised sector	20.5(37.8)	33.7(62.2)	54.1(100.0)
Total	36107(91.2)	35.0(8.8)	396.8(100.0)
	2004–5		
Informal/Unorganised Sector	393.5(99.6)	1.4(0.4)	394.9 (100.0)
Formal/Organised sector	29.1(46.6)	33.4(53.4)	62.6(100.0)
Total	422.6(92.4)	34.9(7.6)	457.5((100.0)

Note: Figures in brackets are percentages
Source: NSS 61st Round 2004–5 and NSS 55th Round, 1999–2000, Employment-Unemployment Survey Computed.

A consistent increasing rate of growth of employment in the unorganised sector indicates that there has been an overall deterioration in the quality of employment in terms of regularity, earnings, work environment and social security. As Table 8.1 reveals, even within the organised sector, temporary, casual, contract and other flexible categories of the workforce are increasing. Informal and casual jobs are largely low paid and workers are forced to work for long hours without overtime payments and other benefits such as sick leave, paid leave or maternity leave.

Labour Rights and World Bank Policies

Labour rights in India are legally protected through various legislations as well as in the Constitution. These rights include the right to organise, collective bargaining, non-discrimination, freedom from forced labour and child labour, social security and insurance, right to employment, payment of minimum wage and the freedom from exploitation at work. Worker rights enshrined in the Constitution and statutes of India reflect the dominant role of the state in protecting workers' rights in a socialist development paradigm. To a certain extent this also reflects the concerns of newly industrialising countries and the aspirations of anti-colonial struggles and movements.

However, the existing statutes have not deterred employers from exploiting workers in the absence of an active state, particularly in the post-liberalisation period. The World Bank and International Monetary Fund (IMF) directed SAP has effectively created a macroeconomic situation that strengthens the hands of employers against workers. SAP curtailed the spirit of statutes enacted nationally and internationally. Various institutions established during post-independence India have been systematically rendered inactive in the realm of industrial relations against the interests of workers. While the state acted as a catalyst in promoting the private sector to compete and grow in an export-led development paradigm, it failed to create the appropriate mechanisms to protect workers from the adverse consequences of globalisation.

Even though struggles by social movements and trade unions have prevented substantial changes in labour laws, in practice and by various administrative means, labour laws have been diluted. Macroeconomic structural reform-induced withdrawal of the state in various economic activities has weakened the position of labour and has curtailed the bargaining power of trade unions while providing greater freedom to employers in industrial relations practices. About 1.8 million jobs have been lost between 1997 and 2004 so far in the organised sector alone.[7]

The trade union movement has been weakened due to several factors. Unionisation was largely confined to the organised sector, in which the public sector accounted for two-thirds of employment. In the post-reform period, this employment has shrunk, giving a severe blow to the organised trade union movement in India. New managerial strategies like contractualisation and outsourcing have also contributed to this.

The declining bargaining power of workers is reflected in the higher number of 'mandays lost' due to lock-outs, prerogative of management, compared to that of strikes, prerogative of workers, in the post-reform period. This also reflects the various ways in which employers evade the due process of law and deny workers' rights. The number of man-days lost due to lock-outs also is much greater than those lost due to strikes (see Table 8.2).

Labour market flexibility also calls for reforms of labour laws. The Indian government has been taking a step towards the amendment of labour laws to remove restrictive provisions and to simplify these laws, by allowing a hire-and-fire policy, by creating an exit policy and by exempting employers and multinational corporations

Table 8.2 Strikes and Lock-outs 2002–5

Item	*2002*	*2003*	*2004*	*2005*
A. No. of Strikes	**295**	**255**	**236**	**227**
No. of Workers Involved	900,386	1,010,976	1,903,054	2,722,784
No. of Man-days lost	9,664,537	3,205,950	4,828,737	10,800,686
B. No. of Lockouts	**284**	**297**	**241**	**229**
No. of Workers Involved	179,048	804,969	169,167	190,817
No. of Man-days lost	16,921,382	2,70,49,961	19,037,630	18,864,313

Source: http://labourbureau.nic.in/idtab.htm.

from labour laws in special economic zones. There are proposals to modify the Industrial Disputes Act to allow closures, layoffs and retrenchments in industrial units employing up to 1,000 workers (instead of 100 as stated originally) without the government's permission. The Trade Unions Act (1926) was amended in 2001 to change, among other things, the minimum statutory requirement for registration of trade unions.

The World Bank has been pressuring developing countries to deregulate and improve the flexibility of the labour market in various forms. One such instrument is the *Doing Business* report which was launched by the World Bank in 2003. This report ranks countries according to the scope and manner of regulations that enhance and constrain business activities. The regulations on labour have been characterised as obstacles to investment, and labour regulations such as a maximum work week below sixty hours, any advanced notice for dismissal, specific procedures for job termination and minimum wage are all considered hurdles for investment. The countries which follow them are ranked lower in the status of business friendliness. In order to improve their rankings, countries have to do away with these kinds of labour regulations.

According to *Doing Business in South Asia 2007*, India's rank is 134 out of 175, 41 places behind China. Among various indicators are: (*i*) the ease of employing workers (India ranks 112 world-wide); (*ii*) the rigidity of hours (India scores 20 out of 100); (*iii*) difficulty of hiring (India's score is 33 out of 100). The report goes on to state that labour regulations make it virtually impossible to fire a worker in India. On this index, India is ranked 70 out of 100. The report calls for reforms in labour regulations to increase flexibility. It also calls for replacing forty-seven national labour legislations with four laws. It advocates the modernisation of the Industrial Disputes Act to increase flexibility in hiring and firing, while still protecting workers' rights.

At the same time, in a typical, contradictory fashion, the World Bank has committed itself to the International Labour Organization's (ILO) core labour standards in all of its infrastructure projects.[8]

Structural Adjustment in Karnataka and the Impact on Labour

In 1999, Karnataka embarked on a major reforms programme to make itself eligible for a World Bank loan (Karnataka Economic Restructuring Loan [KERL I and II]). The first tranche of KERL was sanctioned in 2001 with an important conditionality of accelerating public sector reforms. The government soon announced its 'Policy on Public Enterprise and Reforms'.[9] These reforms favoured restructuring PSEs through privatisation or closure and the 'rationalisation' of employment in PSEs would be ensured through the implementation of VRS.

One of the first PSEs where this was implemented was New Government Electric Factory (NGEF), Bangalore. It was a pioneer in manufacturing electric machinery in India. In the midst of liberalisation and the entry of foreign goods into the market, PSEs like NGEF were thrown open to competition, in this case particularly from the Japanese who could manufacture this type of machinery faster and at cheaper costs.

Cost-cutting measures introduced in NGEF as part of the new loan-driven policies were reducing the scale of operations, retrenching workers, scrapping the lunch that was served on a subsidised basis to employees and the implementation of a partial lock-out. Massive protests by the workers followed this. They stressed that there was no need for the government to privatise the NGEF as the company was functioning smoothly and was not a sick unit. Around 6,500 employees of NGEF had no option but to take voluntary retirement. They received compensation ranging from Rs 50,000 to 250,000.[10] About 122 workers who refused to take the VRS were fired after the factory closed down in December 2002. They suffered severe hardships and went into deep debt. Seven of them even died.[11]

The case of one worker was the following. As an employee, he received a salary of Rs 6,800 per month, free medical care for himself and his family, and free meals and bus services. In his VRS settlement he received just Rs 72,000 after loan deductions. His three children were below 12 years of age when he lost his job. He now sells peanuts in front of the factory gate, earning Rs 50 per day.[12]

The World Bank, Privatisation and the Rights of Fish Workers in India

The World Bank is impacting workers in India through the drive for privatisation of common resources as well as the privatisation of industry. The fisheries sector is a prime example of this trend.

India is the fourth largest fishing country in the world. The total number of fish workers in India, including all sub-sectors, is around 14.66 million.[13] The sector contributes about 1.4 per cent of total gross domestic product (GDP).[14] The fisheries sector can be divided into:

- Artisanal (or small-scale) fisheries, including inland and coastal fisheries
- Industrial fisheries
- Aquaculture[15]

Artisanal fisheries are generally limited to near-shore waters and inland water bodies. They typically employ labour-intensive fishing techniques; they are typically family-based, using small craft and fishing gear such as beach seine and gill nets, hook and line, and traps. Artisanal fisheries are estimated to contribute to at least 50 per cent of total fish production in India.[16]

Unlike other sectors, the fisheries sector, and especially traditional fishing, depends largely on access to marine, shores and water bodies, which are 'common property resources'. The right of fishing is therefore naturally entitled to the fish workers who have free access to these resources.

The 'common property' nature of these resources is under dispute, and their resources are increasingly denied to fish workers in large part due to policy advice coming from international financial institutions (IFIs) such as the World Bank. This is happening under the guise of large development projects which usurp common property resources of fish workers, denying them their right to fishing. Small-scale fish workers are also being disenfranchised by the introduction of practices such as aquaculture and shrimp culture as part of water-sector restructuring projects and fish sector programmes funded by the World Bank and others. Technical assistance from the Bank is transforming the whole notion of common property resources and replacing it with private farming practices. Therefore, the right to fishing gets determined by ownership of natural resources. This is imperilling the lives of fish workers in the country who depend on common property resources, both in inland fishing and in marine fishing. In inland fishing, fish workers are displaced from the river banks with the introduction of new farming practices. In marine fishing, fisherfolk are being displaced by the introduction of coastline policies such as the Coastal Zone Management Notification, which limits the access of traditional fish workers to the shore.

World Bank Assistance to the Fisheries Sector

In 1998, the World Bank granted a loan of US$ 800 million for the National Agricultural Technology Project (NATP).[17] Under NATP, several fishery projects have been implemented, covering marine fisheries, aquaculture, pearl culture, the development of cold-water fisheries and the conservation of germplasm. The World Bank also funded the Shrimp and Fish Culture project implemented from 1992 to 1999 with a loan of US$ 413 million.[18] This project covered the states of Andhra Pradesh, Bihar, Orissa, Uttar Pradesh and West Bengal. It developed 797 hectares for six shrimp culture operations. In addition, a total of 101 reservoirs and twenty-two oxbow lakes were developed for fish culture.[19]

Shifting Priorities due to World Bank Funding

Through World Bank structural adjustment policy advice, there has been a substantial reduction in budgetary allocations for health, education, sanitation, drinking water and agriculture in India. The concept of the common public good was replaced by the notion of cost recovery and public-private partnerships. The structural changes occurring in the fisheries sector must be seen in this context. The budgetary allocations for the sector have been reduced substantially over the years and the strategies and the priorities of the programmes have changed.

This is reflected in the government five year plans. The broad objectives of the five year plans in earlier periods focused on the alleviation of poverty, bringing economic self-reliance, generating full employment, increasing the availability of fish as a source of protein, etc. However, from the Seventh Plan onwards there has been a shift away from poverty reduction and traditional fishing practices to the development of aquaculture and the modernisation of fishing practices. This corresponds to the time period of the World Bank structural adjustment loan. The shift has also been reflected in all of the national programmes pertaining to inland and marine inland fisheries sectors, including the 'Development of Inland Fisheries and Aquaculture' under the Tenth Plan. This programme aimed at diversification/modernisation of inland fishing practices and is excluding traditional fish workers from the ambit of government programmes.

While reform programmes in the sector aim at increasing productivity, in practice this benefits only large farmers who own their own resources. As a result, traditional fish workers are being systematically pushed out of national programmes. In addition, the vertical projects supported by the World Bank are creating large-scale displacement of traditional fish workers and are denying them access to water bodies. This includes large dams such as Sardar Sarovar and river-linking projects such as Ken-Betwa.

Traditional Fish Workers on the Coasts of Tamil Nadu

The World Bank is funding several studies to help local governments evolve long-term strategies for 'effective and sustainable' coastal management. In Tamil Nadu, as part of the Coastal Zone Management under the Tsunami Reconstruction Project, a US$ 2.5 million loan from the Bank is being used for extensive policy work in the fisheries sector.[20] Additionally, within this project the Bank has sanctioned Rs 500 crore for the coastal zone management project,[21] which is in the pipeline.

The Indian coastline is made up of diverse ecosystems. Settlements of traditional people comprising about 10 million fisherfolk are concentrated in these areas, and they depend on coastal resources for their survival. Several activities are affecting the coasts and pose serious threats to the health of these ecosystems and to the lives and livelihoods of the coastal communities. These include unregulated tourism, polluting industries, infrastructure development, aquaculture, sand mining, the construction of sea walls and rapid urbanisation.

The Coastal Regulation Zone Notification (1991) is the most significant and specialised legislation regulating developmental activities along the coast. It was premised on the idea that it is necessary to balance development needs with the protection of natural resources, that certain harmful activities should be prohibited, and that the successful maintenance of coastal areas will ensure the survival and livelihood of millions.

The new notification (amendment) that will be financially supported by the World Bank (and which, there is much evidence to indicate, has been framed by the Bank) has far reaching implications on labour and the livelihood of traditional fish workers and the ecosystem. The new notification expands the jurisdiction of the law to include territorial waters 12 nautical miles from the shore. It paves the way for development projects such as industrial estates, mining sites, exclusive economic zones, tourism projects and ports in the notified areas. There is no provision, however, for how these areas will be protected under the new regime and there is much evidence that it will allow the exploitation of the seabed and coastal resources and impact 10 million fishers. The new notification supported by the World Bank takes away the rights of traditional fisherfolk while paving the way for development projects which will benefit large capital.

Conclusion

Its pronouncement to labour leaders regarding respect of ILO standards notwithstanding, there is no evidence that the World Bank considers employment protection or generation as an important part of its work. In spite of a public relations campaign that claims poverty reduction as its core mission, there is no evidence that the Bank is looking to improve the lives of India's workers. Instead, labour is seen as an impediment to business and investment and as an impediment to development. The impacts of World Bank structural adjustment have included the reduction of the formal workforce (almost 2 million formal sector jobs lost), increased casualisation of employment, reduced quality of employment, and dilution of constitutional safeguards and the right to collective bargaining. Large development projects have led to large-scale displacement, inadequate resettlement, further casualisation of work, reduction in the number of jobs, poor working conditions, among other things. The latest trend to privatise natural resources is affecting India's significantly large fishing community, as well as farmers and those who depend on the forests. The World Bank is reducing the power of workers and their right to livelihood in its so-called poverty alleviation work.

Notes

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3. The list of seventeen industries reserved for public sector included in the Industrial Policy Resolution of 1956 was reduced to only eight by the July 1991 policy statement; subsequently, in March 1993, two more items were de-reserved. Those areas that remain under public sector reservations were '(*i*) arms and ammunitions and the allied items of defence equipment, defence aircrafts and warships, (*ii*) atomic energy, (*iii*) coal and lignite, (*iv*) mineral oils, (*v*) minerals specified in the schedule to Atomic Energy (Control of Production and Use) Order 1953, and (*vi*) railway transport'. Department of Disinvestment, *Annual Report 2000–2001*, http://www.divest.nic.in/annureport/chapter2.html, accessed 25 May 2008. Since that time, sectors reserved for PSEs have been further reduced to include only those related to defence and atomic energy.
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9

Microcredit

Magic Bullet or Poison Pill?

KALYANI MENON-SEN AND KALPANA KANNABIRAN

Microcredit is promoted by the World Bank and other multilaterals as a two-in-one package that delivers women's empowerment while simultaneously tackling poverty. This chapter will analyse the political economy of microcredit-based 'women's programmes' to show how they have in fact been used to subvert women's rights. The first section of the chapter is an overview and critique of the concept of microcredit. The second section critiques 'Velugu' (now known as Indira Kranti Patham [IKP]), the much-lauded microcredit programme of the Government of Andhra Pradesh. It shows how the programme has undermined women's rights and weakened struggles for social justice by pitting women's groups against other marginalised groups such as people with disabilities. Testimonies from Nagamma, the leader of a Velugu women's group, and from Abdul Sajid Ali, a disability activist, provide real-life evidence for the analysis.

Overview

The World Bank received its licence for intervening in poverty alleviation from the so-called 'Washington Consensus', which encapsulates the orthodox neo-liberal prescription for development using gross domestic product (GDP) growth as the key indicator. In this world view, economic growth is assumed to benefit all segments of society in the same way. Since a free market and liberalisation of trade are considered essential for GDP growth, they are also seen as essential for development.

The application of these principles to national development agendas in the 1980s led to disasters in Africa and Latin America, which were so pervasive and had such a wide impact that the 1980s became identified as 'the lost decade' of development.

Structural adjustment programmes (SAPs) imposed by the World Bank played out in ways that forced even the most committed neo-liberal economists to recognise the social cost of this model of economic growth. The most devastating critiques of these SAP came from women's movements and feminist activists who pointed out that the World Bank approach to social concerns—such as gender justice and empowerment of the poor—were 'framed through an economistic and paternalistic lens' rather than any concern for rights.

The World Bank's response to this critique was to unveil the notion of 'adjustment with a human face' and claim poverty reduction as a central agenda of its work. James D. Wolfensohn, then President of the World Bank, floated his proposal for a comprehensive development framework in 1999. The proposal was comprehensive not in terms of addressing multiple developmental challenges but in the sense that it aimed at bringing all development actors and institutions under the same umbrella. Perhaps not so coincidentally, the United Nations (UN) community signed off on the Millennium Declaration in 2000, just a year after Wolfensohn's proposal. The declaration is essentially a supra-national policy framework for development, an operational mechanism for a minimalist development agenda. The Millennium Declaration opened the door to the harmonisation of poverty policies and approaches between all multilateral and bilateral development agencies. All major players in the development arena agreed to the set of eight Millennium Development Goals (MDGs), reflecting minimalist and reductionist development outcomes. This 'consensus' allowed the so-called UN family to focus on implementing social outcomes through MDGs while leaving the field clear for the World Bank to take control of the process of the harmonisation of macroeconomic policies. This global unification project is directed at freeing commercial activity from both government control and social control. Policy 'reforms' endow the private sector with extraordinary power and impunity by treating economic activity as a 'private' enterprise and bringing it outside the realm of state control, by obscuring the fact that private economic activity has global implications and by making the authority exercised by players in the 'private' economic sphere invisible. While private economic actors make policies at the macro level, social actors are confined to actions at the local level.

Microcredit has emerged as the primary engine for the aforementioned project of unification of national economies, through its supposed impact on poverty reduction. Starting with the Microcredit Summit[1] and with the International Year of Microcredit in 2005,[2] the last decade has seen almost complete agreement among the development community on microcredit as a panacea for poverty alleviation. This exclusive focus on microcredit allows the World Bank and its associated institutions to address the global crisis of capitalism under the guise of addressing the crisis of poverty. Liberalisation of financial markets is the key to this strategy.

The 1970s saw a crisis in the capacity of markets to enable profit-making through trade in consumer goods. The solution was to create a trade in services, particularly financial services. The World Bank and the International Monetary Fund (IMF) promoted SAPs with the stated goal of adjusting economies to global competitiveness. It is worth noting that the World Bank had already gained experience in steering financial sector liberalisation from the bottom up through its programmes of support to agricultural credit in Bangladesh in the 1980s.[3] It should come as no surprise that Bangladesh is also the major success story for microcredit.

In Bangladesh, as in other countries, microcredit proved to be an effective mechanism to deal with the disquiet and discontent that SAPs generated. Thus, the disastrous social results of SAPs in Africa and Latin America were immediately addressed by the Bank and the IMF through the strategy of integrating actions for the amelioration of these impacts into the programme itself. Bolivia is the prime example of this strategy. The Emergency Social Fund in Bolivia[4] was a very successful mechanism of removing the politics from poverty. By using grassroots financial intermediaries to provide 'band-aid' solutions to the disastrous social impact of the Bolivian SAP, the World Bank was able to effectively divert and/or dissipate the energies of local social movements by confining them to micro-level actions.

Microcredit policy is therefore primarily a policy to legitimise financial sector liberalisation through the use of the poverty reduction discourse. It is not a coincidence that the World Bank has recast its policy for the financial sector to specifically incorporate microcredit. The rest of the donor community under the umbrella of Consultative Group to Assist the Poor (CGAP)[5] backs up the World Bank's application of this strategy. CGAP's self-described mandate is 'to accelerate and to facilitate financial sector reform'. CGAP claims success in accelerating financial sector reforms in China, Brazil and Vietnam. It is interesting that financial sector reforms are also the major achievement featured in the MDG reports of these countries.

Today, we have a situation where microcredit is accepted as the human face of globalisation and is very strongly normatively framed. The language of women's movements and people's movements, terms and concepts like empowerment and emancipation, autonomy and agency, are now being used to buttress the discourse of microcredit and the idea of globalisation with a human face, a globalisation that works for the poor.

The major World Bank documents in which this discourse was unveiled before the public are the *Voices of the Poor* report in 1999–2000[6] and the *World Development Report* of 2000,[7] in both of which women have been identified as a primary target group for poverty strategies. By strategically misusing the concept of the feminisation of poverty and making simplistic and linear connections between women, poverty, gender equality and growth, microcredit has been established as the perfect mechanism to help communities and countries move from the vicious circle of poverty to the supposedly virtuous cycle of empowerment. Feminist scholars and women's organisations have contributed to the language and logic of this argument. Critics of SAPs have been converted into consultants projects for 'making MDGs work for the poor'. Both critiques and critics have been cleverly co-opted into the 'there-is-no-alternative' discourse on microcredit.

The result of this universalising process, as the following testimonies will show, is a women's development discourse that is devoid of women's rights. World Bank documents and programmes that claim to be changing the lives of women do not even mention the word 'rights'. Starting from the Beijing Conference of 1995,[8] when it made its first entry into the women's development arena, the World Bank has never been modest about its instrumental approach to women. According to World Bank doctrine, women are the most cost-effective and the most flexible agency for containing the adverse impact of structural adjustment. A hegemonic gender discourse has been promoted through 'knowledge management', which has had a disproportionate impact on policy discourse even in a country like India, where the quantum of financial assistance provided by the World Bank is negligible.

The real impact of microcredit on the lives of women is shrouded in obfuscation and prevarication. Language is used to turn failure into success and to package strategies of desperation as examples of best practice. Thus, when women are forced to use loans not for productive purposes but for buying food, this is lauded as 'consumption smoothing'. When women have been forced to borrow money from local moneylenders or non-governmental organisations (NGOs) to repay the amount due to the microcredit group, it is glorified as 'cross-borrowing' and 'cross-lending'. Every critique is incorporated into the programme and is reframed in management terms. The reality of economic desperation is reinvented as a smart and flexible management strategy invented by poor women.

The women's movements and people's movements have long been lamenting the increasing disconnect between rhetoric and reality in Indian policy processes. For instance, while the process of the Eleventh Plan preparation was consultative and the Plan document itself is full of rights language,[9] the budget proposal of the Ministry of Women and Child Development reflects the harsh reality. More than 50 per cent of the budget is earmarked for microcredit schemes, less than 8 per cent is allotted for the implementation of new laws against domestic violence and less than 3 per cent for the National Commission for Women[10] which is the only constitutionally mandated body to work for women's rights. In contrast, an amount of Rs 50 crore has been earmarked for the preparation of training materials for gender budgeting by the National Institute for Public Finance and Policy. At the same time, the provisions of the Micro-Credit Bill[11] are designed with the clear objective of opening informal rural financial markets to the entry of big private players.

Across the world, the microcredit approach has resulted in the marketisation of the women's question. The World Bank's Gender Action Plan[12] for the next phase of its activities speaks about gender equality as 'smart economics'. The word 'rights' does not occur even once in this forty-page document.[13] 'Making markets work for women' is what the World Bank speaks for using women as insurance against market failure. Deploying women and women's labour in markets distorted by inequality acts to stave off market failure, which might otherwise expose the fallacies in neo-liberal economic doctrines. The Gender Action Plan targets four key markets for local-global integration—land, labour, product markets and financial markets. The other contributors to this volume describe what has happened to land markets and labour markets as a result of such strategies. With the introduction of the Micro-Credit Bill, these processes are being initiated for a similar vertical integration of financial markets from the micro to the macro level.

The Velugu[14]/Indira Kranti Patham[15] Programme

The erstwhile Velugu programme in the state of Andhra Pradesh is the largest World Bank-funded microcredit programme in India and perhaps in Asia, and is hailed as a global success story. This programme exemplifies the fact that microcredit has been an instrument for undermining women's rights, depoliticising discourse, and co-opting powerful movements and powerful rights-based groups, including both women's groups and other groups, through the strategies of inclusion; disciplining the poor in their financial transactions through carrot and stick policies, ironically implemented by the poor themselves; suppression of negative evidence about the lack of impact of the programme on poverty and its impact on social indicators; distorted reporting of best practice; and subversion of larger movements in Andhra Pradesh. Nagamma, whose testimony is included later in this chapter,[16] is the president of the District of Disabled Person's Federation for Mahboobnagar district.

Although the Velugu programme covers many sectors, this session focuses on gender and disability. The disability sector has been allocated considerable funding under the Velugu programme and Andhra Pradesh is possibly the only state where the World Bank focuses on disability.

As the World Bank's stated concern in Andhra Pradesh has been 'social development', the Society for Elimination of Rural Poverty (SERP) and the Andhra Pradesh Social Welfare Residential Educational Institutions Society were funded to implement the Velugu project in June 2002. Now known as the IKP under the Andhra Pradesh Rural Poverty Reduction Programme,[17] it has a budget of US$ 150.03 million. The project has six components:[18]

Component 1: Institution and Human Capital Development Project—23.30 million—15.5 per cent of the grant

Component 2: Community Investment Fund (CIF)—US$ 68 million—45.3 per cent of the grant

Component 3: Support to Pilot Programmes—US$ 5.78 million—3.9 per cent of the grant

Component 4: Support to Out of School Children Programme—US$ 30.71 million—20.5 per cent of the grant

Component 5: Support to Disabled Persons—US$ 9.77 million—6.5 per cent of the grant

Component 6: Project Management—US$ 12.47 million—8.3 per cent of the grant

Components 1, 2 and 4—that is, the Human Capital Development Project, the CIF, and the Support to Out of School Children Programme—were aimed primarily at women and female children. The total outlay of these programmes targeting mainly, although not exclusively, women was Rs 122.01 crore or 81.23 per cent of the total budget. Rs 60.64 crore was invested as support for persons with disabilities. The project duration was from April 2003 to September 2008. On 24 January 2002, the Government of Andhra Pradesh issued a Government Order, Ms. no. 27, informing government departments about the Andhra Pradesh Rural Poverty Reduction Programme with support from the World Bank, with the aim of reaching out to the poorest of the poor and involving twenty government departments.

The United Nations Development Programme (UNDP) programme in Kurnool district, Orvakal Mandal, Kalva village, was a precursor to the World Bank intervention in Andhra Pradesh. The UNDP programme was the pilot microcredit programme in the state and it was deemed to be so successful that the elected *sarpanch*[19] of the village, Fatima Bi, was given the 'Race against Poverty Award' by the UNDP in 1998. Very soon thereafter, the government officer in charge of the UNDP programme migrated with his entire staff without prior notice, to start the World Bank programme in Mahboobnagar district. The new programme used the UNDP model and expanded it to the rest of the state. So, the question that the Andhra Pradesh example raises is: what are the convergences here and, given the vast differences in stated objectives, why is there a complete dovetailing of one programme into another, with the UNDP being used as the testing ground for the World Bank?

The Andhra Pradesh Rural Poverty Reduction Programme announces that with proper capacity building, the Poor Women's Federation could begin to function as a self-managed and self-reliant people's organisation. The project document claims that 'the poor have started to demonstrate that they can shape their own destinies, when adequate knowledge and skills and resource support is accessible to them'. A random survey of groups at the village and *mandal*[20] levels, however, shows that neither self-management nor self-reliance has been achieved. It is our contention that the inability to achieve self-reliance is built into the structure of the programme. By focusing on microcredit, thrift and savings, women's empowerment is reduced to economic activity without challenging the basic social, caste and patriarchal inequalities that are already firmly in place. Destinies cannot be changed by skill development or skill building or by the creation of assets alone. These need to be accompanied by movements of social transformation. The goal of the gender strategy is to:

- Reduce absolute and relative poverty of women and girls from the marginal sections of the project area and thereby contribute to the achievement of the 'Gender Specific International Development' in the targeted areas of the project.
- Strengthen poor women's assets, based on livelihood security and economic opportunities, thereby reducing gender gaps in human development, education, survival and nutrition.

- Strengthen maternal health and reproductive health among men and women, adolescent boys and girls, while expanding access for women to gender-specific basic needs such as child care, toilets and gas.
- Strengthen participation of poor women in local self-governance, reduce gender specific risks and vulnerabilities of poor women in her household, reduce gender stereotyping in project areas, and promote gender awareness in the management of environment and natural resources.
- Engender schemes and policies of departments and banks concerned with social development, reduce discrimination of poor women on the basis of caste and ethnicity, religion, disability, age and other characteristics.

There are some specific programmes that we would like to highlight that concern the World Bank's intervention in Andhra Pradesh. The gender strategy is above all laudable and is inclusive of a range of issues. However, even as IKP addresses these issues, what has happened is a takeover by the World Bank programme of guaranteed government responsibilities, especially in the areas of livelihood, health, education and access to resources. There has been a privatisation of state departments through the creation of independent and autonomous societies headed by Indian Administrative Service (IAS) officers who now function in a corporate mould.

The focus on microcredit as the primary channel for working with women is one that must be questioned. Reports presented at the World Social Forum (2004) in Mumbai have shown that the excessive focus on women as credit-worthy has worked against a more broad-based substantial focus on women's mobilising strategies. Microcredit lays stress on economic activity, investment, credit and repayment of loans as the most viable grounds for women to participate in the public domain. The creation of organisations of self-help has eroded basic local government services, particularly the potential for participatory democracy at the level of the village that is independent of, and not subservient to, the executive. There is an assumption that access to credit will lead to social transformation despite very ambiguous terminology. There is a convergence between various programmes with widely varying fundamental assumptions.

The Social Welfare Department is to provide residential school facilities for Dalit and adivasi children. This responsibility has been partly shifted to the World Bank programme. Therefore, now the division between the state responsibilities and the World Bank's conditionalities is not clear. One of the Members of Parliament merged his MPLADS resources[21] with the Velugu programme in Andhra Pradesh, blurring the distinction between development spending by the elected representatives and the World Bank programme. The leadership of the programme is concentrated in the hands of women from dominant castes. There has been a rise in the indebtedness among women. The self-help groups have become pawns in World Bank politics. The Velugu programme targets the poorest women and most of these women are agricultural workers. All the wages of these women are spent in looking after family needs. Besides the money from the Velugu programme, they save Rs 30 per month in self-help groups (SHGs). The amount available to them as loans is spent on family needs. And if they invest in crops, any surplus out of it goes directly into their husband's hands. The burden of repayment, of savings and the penalty for default, all rest on the shoulders of women. Access to economic resources without political dialogue has led to intense competition, rivalry and conflict between and within groups. The purpose of federation and a cycle of accountability at the village, mandal and district levels is often not clear to women leaders at the village level because the entire discussion is focused on thrift and credit without any larger political engagement. The problem of leadership intersects with status differences in the villages so that the structure of individual groups has not managed to significantly change caste and community dynamics in these areas.

In a fishing community in the East Godavari district, the setting up of a gas plant has led to widespread loss of livelihoods. In these difficult circumstances, women are still expected to engage in thrift and savings on a weekly basis with penalties attached to non-repayment of loans and non-attendance of meetings. This compulsion to abide by timelines for thrift and savings has created an additional psychological burden on women.

The disability focus of the Velugu programme was meant to help disabled persons organise into mutual support groups, to build and promote community-based support and rehabilitation programmes, to promote innovative livelihood strategies through sub-projects, and to strengthen early intervention, training and rehabilitation programmes. These objectives also resonated with the Government of India's commitment to the World Program of Action for Disabled Persons,[22] Standard Rules for Persons with Disabilities,[23] UN MDGs, the Biwako Millennium Framework[24] and also the Government of India's participation in the ad hoc working committee preparatory meetings for the UN Convention on the Right of Persons with Disabilities.[25]

However, the World Bank, as part of its 'social development' intervention in Andhra Pradesh, puts its focus not only on a narrow trajectory of activities but also pushes aside a large variety of needs and rights of persons with disabilities. For example, medical rehabilitation has been a major focus: IKP has 406 medical camps; 5,116 persons with disabilities were covered with surgical corrections and 22,973 persons with disabilities were provided with assistive devices.[26] The articulation of rights by persons with disabilities was pushed to the margins.

Testimonies

One of the main problems that comes up while addressing the question of the rights of person with disability and the rights of women is the fact that within the Velugu programme the women SHGs have been set up against the SHGs of people with disability. So that, on the ground, conflict has erupted between the two types of

SHGs because women are made responsible for managing the funds of the groups of persons with disabilities. The following first-hand account by Abdul Sajid Ali also sheds light on the distance between microfinance programmes and the overall needs of people in these communities.

ABDUL SAJID ALI

I work in Mahboobnagar district. In 2003, the Telugu Desam government started projects in six districts for education, health, capacity building, livelihood aids and appliances for persons with disabilities, with a loan of Rs 110 crore from the World Bank. These six districts are spread in Andhra region (2), Telengana (2) and Rayalseema (2). Gradually in one year, they spread over to twenty-three districts of the state. In the district of Mahboobnagar, under the Velugu programmes, sixty-four mandals have been chosen to be project areas. In every tehsil, there are three members who have been employed under the project for gathering the disabled people and forming their SHGs. These people move from village to village and form a group of ten persons with disabilities.

In Andhra Pradesh, the World Bank had plans to initiate an additional SHG project for the disabled. But it was incorporated into the existing women self-group and, as a result, the disability issue was put on a back burner and issues relating to women remained on the forefront. In the entire twenty-three districts of Andhra Pardesh this has been going on.

The three disabled volunteers were spreading awareness in villages relating to issues of disability. Gradually, people started asking for the rights of the disabled. As a result, the government decided to wind up the project because it found the vocal assertion of rights by persons with disability disconcerting.

Consequently, all 196 people who were involved with this project in the state were thrown out of their jobs. All the facilities given to them were taken back. The government said that the project was being wound up as there was no longer World Bank funding for the project.

In terms of education of the disabled, the approach of the Andhra Pradesh government seems to be quite progressive but in reality this is not the truth. For the disabled people's basic problems, the government has no scheme. For example, able children were given bicycles so that they can travel long distances to schools for higher education but arranging tricycles for the disabled was not in their scheme of things.

The fact that the very thinking does not have sensitivity towards the problem of the disabled is reflected as even the staircases of primary schools are not disabled-friendly. Toilets and other facilities are out of the question. This simply shows that the Andhra villages are keeping the disabled out of education.

Another important thing is that through the IKP project, people are being trained in computers in villages. People from three to four sub-divisions are getting computer education at some convenient place in town, but for the disabled there is no provision. The government says that for the disabled there will be separate education centres, which is all false as we know. Later, the government started false propaganda that despite its efforts, the disabled were not interested in getting computer training. In a nutshell, the disabled in the villages of Andhra are deprived of computer education.

In terms of health, we have had a bad experience. In IKP, there was a view that by providing proper medical care, the percentage of disability would be reduced. In districts like Tirupati, Visakhapatnam, Mahboobnagar and other big cities, a campaign was launched in hospitals to cure disability by doing surgery. But the situation got even worse. In hospitals, the percentage of disability fell to 17–18 per cent. But later due to mismanagement and poor aftercare, the percentage of disability again increased.

Another important thing is getting below the poverty line (BPL) cards.[27] The government says BPL cards would only be given to those who were married. But the fact is that we are disabled and no one marries a disabled person, hence we do not have access to BPL cards.

We told the government that if these are the terms for getting a BPL card, then it is the government's responsibility to get us married. But the government says how can we get you married, rather you get married and take BPL cards from us. By imposing such conditions they have distanced us from getting BPL cards.

NAGAMMA

Nagamma, a woman leader with the federation and a visually challenged person, presented her personal experience, of being a leader of an SHG and about the exact ways in which conflicts in the programme plays out, at the Independent People's Tribunal on the World Bank, 2007.

My name is Nagamma. I am from Dandaipalli village, which is part of Panagal mandal, where I am a president. This was the first time that I came out to work in a Velugu programme. The programme in 2002 began with five pilot mandals. In 2006, the first district disability federation was set up. The budgets are located in the district federation and the only money that was given was for members of district federations to attend the periodic meetings. The first time we received a grant of Rs 19 lakh for running expenses and organising meetings, attending meetings and generally taking care of the needs of persons with disabilities in our area.

The second time we received Rs 12 lakh for a community investment fund. The community investment fund was meant to provide a goat, sheep, livestock or any kind of investment that persons of disability wanted to make in order to start small enterprises. When we received the grant of Rs 19 lakh, I was not told that the money had arrived. I had no idea of how the money would be drawn or would be spent.

Nobody would tell me about what activities were organised. Basically, the expenses would be incurred by other people in the Samakhya[28] area and I would just be required to sign when and where necessary.

I was first the president at the mandal level and all activities would carry on without my knowledge; but even then I persisted, and I soon became president at the zilla parishad level.[29] And when I was at zilla level, we got a grant of Rs 15 lakh. I do not know what happened to the Rs 15 lakh; then we got a cheque of Rs 5 lakh and without informing me the district project manager forged my signature and deposited it in her account at the State Bank of India. Then we got a cheque of Rs 5 lakhs and without informing me the money was deposited in Shankar Amma's account. When I came to know about Shankar Amma's account, she asked me 'Didn't you know the five lakh has been deposited in my account?'. I told her that it was only because she told me that I know that Rs 5 lakh have been deposited in her account, otherwise I would not know. Rs 114,000 were allocated to a budget for a neighbourhood centre which was meant to have areas for children as well as common recreation areas. But part of this amount was spent on the women's *sanghas*[30] and only part of it was sent on the neighbourhood centre.

We were allocated a grant of Rs 115,000 for the *kala jatha*.[31] Of that amount, Rs 51,000 was meant to be allocated to an orchestra, which included the expenses for all musical instruments as well as the expenses for dresses for the members of the orchestra to wear during performances. However, whether it was buying the material, or working out the costs, or maintaining the accounts, or taking the decision about where money needs to be spent, I was not consulted on any of these matters.

The others have to ask me to draw a cheque and I give it to them. They then have to tell me what their expenses were. But I have no control over the way the money was spent. As long as I was an office bearer in the federation, I always respected everybody, from the smallest child to the highest officer. But I have never received respect in return from anybody. Whenever I raised an objection about the expenses or any matter on which I was not consulted, I was very rudely asked to ignore the problem. What has happened is that everybody has just used me, particularly the authorities.

I have organised rehabilitation camps, community gatherings and public meetings, and I have taken an active part in the affairs of the district sangha. The contribution I have made has never been recognised, not even by the officials of the programme. There have been meetings where those present speak about my district and put my name on a banner. Though I was present, but was not even told that my name was on the banner. Right from the beginning I have faced discrimination within the programme.

I have had to cope with extreme discrimination in the course of my work. Apart from the people from the village treating me badly, even the district project managers has constantly resorted to slander. I have not drawn the salary for my work as a president of the sangha. Indeed, I have worked without a salary and I have always told the district project managers that I do not need this work and the position because after all I do not draw a salary. I told him that he was the one drawing a salary of Rs 10,000 a month and with two cellphones, so he had more to lose than me. I have coped with different kinds of discrimination: people have kept me away from them when eating, so I sit on my own separately. Money has been drawn and spent without informing me although currently I have twenty-one mandals in that district. Although this programme has actually a huge budget for working towards the betterment of persons with disabilities this actually has not done anything at all to better our condition or to help us to access our rights.

Notes

1. The Microcredit Summit Campaign was launched in February 1997 with the aim of providing poor families, and especially women, with opportunities for self-employment through the provision of credit. For more details, see http://www.microcreditsummit.org/aboutmicrocreditsummit.htm, accessed 10 March 2008.
2. Details of the International Year of Microcredit can be found at http://www.yearofmicrocredit.org/, accessed 10 March 2008.
3. For an introduction to the World Bank's role with respect to microcredit in Bangladesh, see http://www.worldbank.org.bd/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/BANGLADESHEXTN/0,,contentMDK:20175739~pagePK:1497618~piPK:217854~theSitePK:295760,00.html, accessed 10 March 2008.
4. A World Bank Report from 1991—'Workers' Benefits from Bolivia's Emergency Social Fund'—assessing the impact of the Emergency Social Fund in Bolivia can be found at http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000178830_98101902173487&searchMenuPK=64187282&theSitePK=523679, accessed 10 March 2008.
5. The Consultative Group to Assist the Poor (CGAP) provides information about, and carries out research into, microfinance and access to financial services. Although located in the same office as the World Bank Group in Washington DC, CGAP nonetheless claims that it is an institution independent of the Bank. For more information, see http://www.cgap.org/p/site/c/home/, accessed 10 March 2008.
6. World Bank, 'Voices of the Poor: Can Anyone Hear Us?', 2000, http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000094946_00042605311270&searchMenuPK=64187282&theSitePK=523679, accessed 10 March 2008.
7. World Bank, *World Development Report 2000–01: Attacking Poverty*, Washington DC: The World Bank, 2000, http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000094946_01083004025527&searchMenuPK=64187282&theSitePK=523679, accessed 10 March 2008.
8. United Nations, Fourth World Conference on Women, Beijing, 1995, details available at http://www.un.org/womenwatch/daw/beijing/, accessed 10 March 2008.

9. Details of all eleven Five Year Plans that India has produced can be found at http://planningcommission.nic.in/plans/planrel/plansf.htm, accessed 10 March 2008.
10. The National Commission for Women's website, http://ncw.nic.in, accessed 10 March 2008.
11. The Micro Finance Sector (Development and Regulation) Bill, 2007, is available at http://www.prsindia.org/docs/The_Micro_Financial_Sector_Bill_2007.pdf, accessed 10 March 2008. The Bill was introduced in the Parliament during the 23 February–22 May 2007 session.
12. For an overview of the World Bank's approach to gender, see http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTGENDER/0,,menuPK:336874~pagePK:149018~piPK:149093~theSitePK:336868,00.html, accessed 10 March 2008.
13. World Bank, 'Gender Equality as Smart Economics: A World Bank Group Gender Action Plan' (Fiscal Years 2007–10), September 2006, http://siteresources.worldbank.org/INTGENDER/Resources/GAPNov2.pdf, accessed 10 March 2008.
14. *Velugu* means 'light' in Telugu (the official language of Andhra Pradesh). The concept behind the Velugu programme is to dispel darkness through the power of knowledge, thereby improving the lives of the poor and most vulnerable in six districts of Andhra Pradesh. The World Bank has offered support to the Velugu programme via the Andhra Pradesh District Poverty Initiatives Project (APDPIP). Details of the Velugu programme and the role of the APDPIP can be found at http://www.velugu.org/What_Velugu/velugu_genesis.html?id=0_1, accessed 10 march 2008. Information relating to the project from the World Bank's website, http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P045049, accessed 10 March 2008.
15. The Indira Kranti Patham (IKP) programme combined the activities of the Velugu programme with the work of the Development of Women and Children in Rural Areas with the aim of assisting the poor in rural areas across Andhra Pradesh.
16. Please see the testimony later.
17. Andhra Pradesh Rural Poverty Reduction Project, Project Document, World Bank, http://web.worldbank.org/external/projects/main?menuPK=228424&theSitePK=40941&pagePK=64283627&piPK=73230&Projectid=P071272, accessed 20 August, 2009
18. Ibid., pp. 8–9.
19. A sarpanch is a democratically elected head of the village level of local government.
20. The *mandal*s of Andhra Pradesh correspond to the *tehsil*s (or *taluka*s) that are found in other Hindi-speaking parts of India, and form a sub-district of local government, usually comprising a group of villages.
21. The Member of Parliament Local Area Development Scheme.
22. More on the World Program of Action for Disabled Persons may be found at http://www.un.org/esa/socdev/enable/diswpa00.htm, accessed 10 March 2008.
23. The Standard Rules on the Equalization of Opportunities for Persons with Disabilities, adopted by the United Nations General Assembly, forty-eighth session, resolution 48/96, annex, of 20 December 1993, available at http://www.un.org/esa/socdev/enable/dissre00.htm, accessed 10 March 2008.
24. The Biwako Millennium Framework was adopted by the governments of the Asian and Pacific region in Japan, October 2002, with the aim of encouraging the creation across the region of societies that are inclusive, barrier-free and rights-based for persons with

disabilities. A copy of the framework can be obtained from http://www.unescap.org/esid/psis/disability/bmf/bmf.html, accessed 10 March 2008.

25. Available at http://www.un.org/disabilities/convention/conventionfull.shtml, accessed 10 March 2008.
26. Department of Rural Development, *Society For Elimination Of Rural Poverty Annual Report, 2005–6*, Government of Andhra Pradesh, p. 6, published online, http://www.rd.ap.gov.in/IKP_MNDL/SERP_Annual_Report_2005-06.pdf, accessed 20 August 2009
27. Below the poverty line (BPL) cards (and the concept of the poverty line) were introduced through World Bank recommendations on targeted (rather than universal) social programmes such as the PDS for food rationing. See the chapters on food security for further discussion on BPL cards.
28. Samakhya is a charitable organisation working in Andhra Pradesh with the objective of improving the living standards of the poor and economically disadvantaged. Further details may be found at http://samakhya.org/web/index.php, accessed 10 March 2008.
29. The *zilla parishad* level of government in India operates at the district level and looks after the affairs of rural areas.
30. *Sangha* is a Pali word, usually translated to mean 'assembly', 'association' or 'community'.
31. A *Kala Jatha* is a cultural campaign which focuses on issues of self-reliance.

III

Undermining India's Sovereignty and Democratic Processes

The World Bank's 'Good Governance' Agenda

10

Partners in the Erosion of Sovereignty

SMITU KOTHARI AND BENNY KURUVILLA

Sovereignty

State sovereignty lies at the core of international law. It affirms three critical inter-related elements: the State's supremacy over domestic matters; its exclusive right to regulate its territory and citizens; and its right to guide its internal and external affairs without foreign interference. As it has evolved, this implies both a defensive sovereignty and an affirmative one: the right to avoid being adversely affected by decisions and events happening outside its jurisdiction and the right to determine its own policies and course of development.

What is also critical is the affirmation of economic sovereignty, a right recognised by the United Nations Economic and Social Council established under the UN Charter. Article 2(7) affirms the principle of non-intervention, protecting states from UN interference in their economic policies. In the Charter of Economic Rights and Duties of States, the UN General Assembly affirmed that every state has the right to choose its economic system 'without outside interference coercion or threat in any form whatsoever'. This right thus includes the right of the government and body politic of a state to determine what economic policies they deem necessary for further development.

The processes of economic globalisation, the partnership of the world's economic and political elites and the conditionalities imposed by international financial institutions (IFIs) like the World Bank have significantly eroded this sovereignty. In fact, the severity of conditionalities has eroded even the affirmative sovereignty that nations should enjoy.

We recognise here that states can and have misused these rights to sovereignty and wrought excesses and repression on their own citizens. It is therefore accepted that in conditions where gross violation of human rights are evident, the international community can initiate paths of intervention. In no way does this justify the roles that the World Bank and the International Monetary Fund (IMF) have played in consciously undermining national economies and imposing conditionalities that have made countries indebted, dependent and vulnerable.

Introduction

Governance became an integral part of the World Bank's agenda in the 1990s. Analysts have noted[1] that this was a strategy employed by the Bank to offset the abysmal failure of its goal of reducing poverty and inequality by increasing growth. So, rather than reassess its flawed neo-liberal policy formulation, the Bank blamed the lack of progress on its key objective (a poverty-free world) on poor policy implementation and thus weak governance. The convenient prognosis of the Bank was that good policies are vital but are unsustainable within poor governance structures and weak institutions. The Bank claims that this has led to misguided resource allocation, excessive government intervention, arbitrariness and corruption, which have deterred private sector investment and slowed growth and the poverty-reduction effort.

The Bank's Governance Mantra

The World Bank defines governance as 'the manner in which power is exercised in the management of a country's economic and social resources for development'.[2] The Bank makes no mention of democracy and is therefore not necessarily concerned with the issue of legitimacy in governance. The Bank further states that based on its Articles of Agreement, which state that it should be a non-political institution, it focuses only on the technocratic aspects of governance.

Some of the key conditionalities that can be found in the Bank's governance reform programmes include the following.

ANTI-CORRUPTION

Corruption is defined by the Bank as 'the abuse of public office for private gain'.[3] Although the Bank acknowledges that there is corruption in the private sector, it focuses on the public sector, since the Bank lends primarily to governments and supports government policies, programmes and projects. The Bank has identified corruption as 'the single greatest obstacle to economic and social development'.[4]

The Bank's formula for combating corruption is based on:

- Strengthening civil society participation: encouraging freedom of information, public hearings of draft laws and a role for the media/non-governmental organisations (NGOs).
- Creating a competitive private sector: through economic policy reforms aimed at achieving liberalisation, such as deregulation of prices, competitive restructuring

of monopolies, reducing barriers to entry, adequate regulation, transparency in corporate governance and business associations to represent collective interests.

- Institutional restraints on power: such as an independent and effective judiciary, legislative oversight (parliamentary strengthening), anti-corruption legislation, independent prosecution enforcement and audit organisations.
- Improving public sector management: establishing a merit-based civil service with monetised compensation, adequate pay, transparency and accountability in budget management (coverage, treasury, procurement and audit), transparency and accountability in tax and customs, policy reforms in sectoral service delivery (health, education and energy) and decentralisation with accountability.

In 2005, the World Bank's Department of Institutional Integrity (INT)[5] released a multi-year investigation into the procurement of pharmaceuticals and kitting (packaging of pharmaceuticals) under the Bank-financed Reproductive and Child Health (RCH 1) project in India. They found that two India-based firms, Nestor Pharmaceuticals Ltd. (Nestor) and Pure Pharma Ltd. (Pure Pharma), collaborated to receive a majority of the funds from the project; consistently engaged in bribery of government officials and procurement support agencies; falsified performance certificates; and coerced other companies. The companies also provided substandard drugs. The companies were awarded a total of US$ 73.4 million from the RCH 1 project and its preceding project, the Child Survival and Safe Motherhood Project.[6]

Senior Bank officials are working overtime to discredit the INT's report and action against the corrupt companies is yet to be taken.

On 6 September 2007, the Government Accountability Project (GAP)[7] released a review of the World Bank's INT and its practices from 2005 to 2007. The GAP report found several instances of the INT's failure, including the suppression of an INT team report investigating corruption in three World Bank projects in the Democratic Republic of Congo. It was found that the report was suppressed for political reasons with the cooperation of the Director of INT.

CIVIL SERVICE REFORM

Civil service reform typically refers to interventions that affect the organisation, employment conditions and/or performance of employees supported by government budgets. One of the aims is to help correct fiscal imbalances by, for example, downsizing the civil service (see Karnataka case study, later), conducting civil service censuses to eliminate ghost employees, and/or redeploying staff.

DECENTRALISATION

Decentralisation is a process through which authority and responsibility for public functions are transferred from the central/state government to local governments, quasi-independent government organisations or the (profit or non-profit) private sector. For example, the provision of health services might be decentralised to local government or the provision of water services might be decentralised to water user associations (WUAs).

LEGAL INSTITUTIONS AND JUDICIAL REFORM

The Bank considers a sound legal framework to be a prerequisite for economic growth and social development. Bank-supported legal and judicial reforms include:

- Reforming laws: including amending a country's laws to improve investment opportunities and the business environment; harmonising laws for internal consistency; or harmonising domestic law with international conventions and treaties.
- Reforming institutions: focusing on working with legislatures and other law-making bodies, such as the judiciary and courts, on, for example, judicial independence, judicial councils and judicial reform; encouraging the institutional accountability of the courts through ombudsmen and changes to administrative law; and working with the legal professions (judges, court staff and lawyers) on professional education.
- Improving access to justice: concerning alternative dispute resolution, right to court access, public interest litigation, reforming civil justice systems and small claims tribunals.

The Bank has broadened its portfolio beyond lending for specific development projects. Its conditionalities have necessitated major changes and increasingly it has influenced changes in legislation. The number of cases is growing where detailed drafts have been exchanged between the Bank and government ministries and departments, with no involvement from elected bodies, concerned civil society groups or the representatives of affected communities. A recent example is found in the case of environmental policy and law. Even though there has been considerable contention on the management and legal status of India's coasts, a Coastal Management Zone Notification has not become the law of the land. As recently as August 2007, members raised questions in Parliament seeking information from the Ministry of Environment and Forests (MoEF), asking whether such a notification was under consideration. A few months prior to this *The Times of India* and *Reuters*[8] published news stories saying that a notification was on its way, which would override existing laws regulating activities in the coastal zone. The World Bank knew more about this than the media or Parliament. As early as February, a Bank document stated that 'A new draft Notification titled Coastal Zone Management is expected to be posted on the MoEF website for public discussion by February 2007'.[9]

The gravity of the situation is evident in this case. It illustrates that for the Government of India, the Bank has higher status than Parliament and concerned civil society groups.

This is all the more serious in the light of the audit report of the Comptroller and Auditor General (CAG) on the environmental performance of the Mumbai Port Trust. The findings pointed to the need for a more stringent Environmental Impact Assessment (EIA) notification and stronger environmental governance of India's coastline, particularly with reference to ports. This report was tabled in Parliament but rather than respond to this crucial recommendation, the government's relevant ministry was drafting a notification that would dilute the existing law.[10]

PUBLIC FINANCIAL MANAGEMENT

According to the Bank, sound Public Financial Management (PFM) is concerned with aggregate fiscal discipline, allocation of resources in accordance with strategic priorities, and efficient and effective use of resources in the implementation of strategic priorities. PFM is also fundamental to the appropriate use and effectiveness of donor assistance, since aid is increasingly provided through modalities that rely on well-functioning systems for budget development, execution and control.

It focuses on developing:

- Well-functioning accounting and financial management systems which involves improving governmental capacity to allocate and use resources efficiently and effectively.
- Institutions for fiscal discipline: including reform of the budgetary process, adoption of explicit fiscal targets and fiscal transparency.
- Financial management system and control: involving the introduction of financial management information systems (FMIS) to control aggregate spending and deficits, improvement of prioritisation of expenditure for allocative efficiency and equity and better use of budgeted resources.

The fact that all of these reforms/conditionalities support a neo-liberal, market-oriented agenda is in itself political. This implies that it is nonsense for the Bank to argue that it is apolitical.

The Entry of Governance Loans at the State Level

The balance of payment crisis in 1991 triggered an intensive economic reform process in the country. The IMF and the World Bank used the crisis to prescribe a series of structural adjustment programmes for the Indian economy. Not long after, in 1998, there was a fiscal crisis at the state level (several states ran out of money to make payments). This again provided the trigger for the World Bank to move in and determine the direction of state-level reform through loans, analytical work and policy dialogue. What happened with this process was that the World Bank's structural adjustment and governance programmes (budgetary support that is conditional

Table 10.1 State-Specific World Bank Projects Addressing Governance Issues

Project Name	*ID*	*Amount (m US$)*	*Status*	*Approval Date*	*Closing Date*
Andhra Pradesh					
Andhra Pradesh Economic Restructuring Project	P049385	543	Closed	25 January 1998	31 March 2006
Andhra Pradesh Economic Reform Loan/Credit	P073113	250	Closed	14 March 2002	30 September 2002
Andhra Pradesh Economic Reform Program II	P075191	220	Closed	10 February 2004	15 August 2004
Third Andhra Pradesh Economic Reform Loan/Credit	P075174	225	Active	11 January 2007	30 June 2008
Himachal Pradesh					
Himachal Pradesh Development Policy Loan 1	P105124	200	Active	25 September 2007	31 March 2009
Karnataka					
First Karnataka Economic Restructuring Loan/Credit	P055490	150	Closed	21 June 2001	31 December 2001
Karnataka Structural Adjustment Loan II	P059149	100	Closed	14 March 2002	30 September 2002
Third Karnataka Structural Adjustment Loan	P075192	200	Dropped	N/A	N/A
Orissa					
Orissa Socio-Economic Development Loan/Credit	P081882	125	Closed	02 November 2004	31 July 2005
Orissa Socio-Economic Development Loan II	P097036	225	Active	01 August 2006	30 June 2008
Tamil Nadu					
Tamil Nadu SAL	P086288	250	Dropped	N/A	N/A
Uttar Pradesh					
Uttar Pradesh Fiscal Reform & Public Sector Restructuring	P065471	251	Closed	25 April 2000	30 October 2000

Source: World Bank, 'Projects Database', www.worldbank.org.

upon implementation of market-oriented reforms) were taken to the state level. This policy-based lending first went to Andhra Pradesh (beginning in 1998) and later to Uttar Pradesh (2000) and Karnataka (2001), as shown by Table 10.1.

A striking characteristic of these reforms is that issues that were hitherto in the domain of the political system (either at the central or state level), including core governance and public sector management, civil service reform, transparency, accountability and private sector development, rapidly moved to the forefront of the World Bank's analysis and dialogue in India. In states such as Andhra Pradesh and Karnataka, the Bank successfully pushed the idea that 'politics should be kept out of policy'.

What follow are instances of how the World Bank partnered in the erosion of democracy at the state level.

Case Study 1: Andhra Pradesh

The Irrigation Component of the Andhra Pradesh Economic Restructuring Project (APERP-IC) provided a sum of US$ 142 million to the Government of Andhra Pradesh's irrigation sector reform programme. While there was a demand for reforms, especially for farmer's participation in irrigation, these demands had arisen out of the need to strengthen and improve the public sector institutions involved in irrigation. The reform process in Andhra Pradesh pushed by the World Bank was against the backdrop of a larger agenda of rolling back the state, dismantling the public sector and envisaging a facilitating role for the state. These reforms were not, therefore, primarily addressing the problems inherent with the irrigation sector but were driven by a larger agenda of liberalisation of all sectors of the economy. The 1997 World Bank document 'Andhra Pradesh: Agenda for Economic Reforms'[11] clearly spelt out the strategy/conditionalities for restructuring the sector:

- First, water rates should be increased so that they cover 100 per cent of operation and maintenance (O&M) costs. At the same time, significant improvement must be made in the quality of service delivery and effective collection.
- Second, it would be useful to establish a water rates committee to review O&M costs and ensure that water rates are adjusted on a regular basis to cover full costs. It is also important to adjust water rates in conjunction with power rates to ensure regional equity.
- Third, adequate budgetary provisions should be provided to meet the recommended O&M norms.
- Fourth, the institutional framework needs to be improved by enhancing planning and management capacity, streamlining staffing and consolidating the existing Irrigation Acts under a new Act, which reflects the new sector strategy and participatory management and caters for WUAs. Scheme-level committees representing all concerned—including governmental and private parties—and

empowering them to take all decisions concerning investment, O&M and staffing within their own schemes, and within the framework of the new Irrigation Act, should also be launched.

- Fifth, efforts to promote the participatory involvement of farmers and transfer of O&M responsibilities at the distributory and minor canal levels to the beneficiaries should be accelerated. The government has already drawn up a program to form WUAs and handover the management of the tertiary canal networks to WUAs to improve efficiency…and finances in the sector. In time, water will be supplied to the WUAs on a volumetric basis and associations will have the freedom to decide how costs should be distributed among their members.

WHAT HAPPENED?

Did irrigation management become more participatory? Regarding the composition and functioning of WUAs, it has been documented that members of the upper castes, relatively wealthy landowners and generally better-educated people captured the leadership positions within the WUAs. These people usually had affiliations to a political party, often the ruling Telegu Desam Party. The participation of women and 'weaker sections' in decision-making was found to be negligible. Over 10,000 WUAs were formed. They were dominated by the economic and political elite and many did not function as associations, let alone as democratic associations. Political bodies such as the panchayat were circumvented.[12]

Case Study 2: Karnataka

The World Bank provided two loans (Karnataka Economic Restructuring Loan and Karnataka Structural Adjustment Loan) amounting to a total of US$ 250 million to support cross-cutting reforms. Conditionalities that were part of the performance milestones identified by the Bank included fiscal disciplining (withdrawal of subsidies and other public expenditure cutbacks); administrative reforms (cutbacks in government employment and reduction in pensions and wage structures); and private sector development (disinvestment of the public sector and creation of a better environment for private investment).

Reducing the fiscal deficit was primarily done through cutbacks in public expenditure. This meant rolling back subsidies in areas such as the public distribution system, power, transport, irrigation, water supply and support to small-scale industry. Alongside these reforms, there also took place a privatisation drive, notably in Karnataka's large and once robust state sector and also in public utilities such as power and transport.

WHAT HAPPENED?

It has been documented[13] that the main goal of the reform package, namely that of cutting public expenditure, appears to have hit low-income groups in both the agrarian and urban sectors, with the poor bearing the brunt of the burden of reform:

- There was a steep and perceptible increase in agrarian distress between 2000 and 2004 in Karnataka. Debts and crop losses led thousands of farmers to suicide over this period, leaving their families even more impoverished than they had been. Many of those who committed suicide did so because they were unable to pay the arrears in power costs that were suddenly slapped on them, on account of power tariff hikes. The withdrawal of subsidies for agriculture led to a sharp rise in the costs of cultivation. Food subsidies were also reduced.
- There were escalations in the cost of public services, which hit low-income consumers. User charges were increased for irrigation, transport and water, as well as in public hospitals. There was an increase in bus charges by 30 per cent since 1999; an increase in power tariffs by 34 per cent since end-2000; an increase in urban water charges for Bangalore by 45 per cent in 2001; a doubling of irrigation charges between 2000–1 and 2002–3; an increase in higher education charges by 20 per cent, which would be further increased by 10 per cent; the retention of user charges introduced for hospitals and rural water supply; the capping of food subsidy at Rs 300 crore.[14]
- With the closure/privatisation of the public sector, a little short of 2 lakh permanent employees were forced to take Voluntary Retirement Scheme (VRS) payments. The majority of them were left unemployed, as they were too old to be re-employed or did not have the requisite skills for jobs in other sectors of the economy. There is not even a count of the number of contract workers in the state sector that lost their jobs.[15]

The World Bank and the Constitutionally Mandated CAG

India's CAG heads a constitutionally mandated body empowered to act as an autonomous public audit watchdog. The office of the CAG prepares an annual audit report on government expenditure and implementation of specific pieces of legislation. This is presented to Parliament for review and appropriate action. The reports of the CAG are widely publicised in the media and often occupy a substantial amount of time in Parliament and assemblies. The mandate of the CAG also covers external aid such as the loans of international financial institutions (IFIs). Thus, it is crucial that the role of the CAG be strengthened to bring IFI operations more frequently under its scanner.

In this situation, it is imperative that the CAG remain a totally autonomous institution headed by an individual with an impeccable record of integrity and independence.

Unfortunately, the past two appointments to the post of CAG have been marred by controversy. A retired Deputy CAG, Dr B. P. Mathur wrote recently:

> Unfortunately in the recent past the Government is appointing CAGs based on political considerations. There has been a tendency to select an IAS [Indian Administrative Service] officer—rather than an Indian Audit and Accountancy Services officer—who is close to the government in power, and has influence and contacts. Being a constitutional post, once appointed, the CAG cannot be removed. The office of CAG is a highly centralized set up with all powers concentrated in the person of the CAG. Dy [Deputy] CAGs and Accountant Generals in States work under CAG's administrative control, enjoy no separate legal status, and have to act per the CAG's bidding. In early January 2008, when the present CAG will retire, it is necessary to ensure that the post is filled by a competent professional, possessing sound knowledge of accounts, audit and finance and of great integrity.[16]

A visit to the biography page of the recently retired CAG (2002–8) , Vijayaendra N. Kaul, shows the potential compromise that this autonomous body made by appointing an individual who has served the World Bank. Mr Kaul's biography on the CAG's website reads: 'Mr Kaul is a fellow of the Economic Development Institute, World Bank and of the ODC University of Manchester, United Kingdom.'[17]

There are also instances of audit officials linked with Supreme Audit Institutions being deputed to the World Bank. For example, Vinod Sehgal from the office of the Auditors General of Canada is presently in the Bank's New Delhi office, working on governance issues to revise constitutionally mandated auditing systems.

These examples demonstrate how the independence of India's supreme audit institution is being undermined, with additional efforts to reduce the efficacy of the International Organisation of Supreme Audit Institutions.

Strengthening Parliamentary Oversight

If our goal is to reclaim the democratic spaces of decision-making in a parliamentary democracy from the corrupting influences of IFIs, we need to strengthen parliamentary oversight and public audit on IFI operations.

By the late 1990s, the World Bank developed a programme to 'enhance' the capacity of parliaments to effectively 'fulfil their responsibilities', with an emphasis on the national budget process and supporting parliamentary networks. In 2000, a group of Indian MPs and the World Bank founded the Parliamentary Network on the World Bank (PNoWB) which claims to increase parliamentary involvement and encourage dialogue between the World Bank and MPs. While the Bank claims to help parliamentarians develop a better understanding of how it operates, there has been widespread concern about the World Bank's involvement in ensuring parliamentary accountability. How independent would a World Bank-funded PNoWB be?

Distressed by the efforts to co-opt parliamentarians, elected representatives from around the world in collaboration with concerned NGOs, in September 2004, drafted an International Parliamentarians' Petition to bring IFIs under parliamentary oversight and scrutiny. Over 1,000 MPs from around the world signed the petition.

Internationally, there is also an effective civil society process called Democratic Governance and Parliamentary Oversight. It aims to develop a strategic plan of action for a range of activities to expand and enhance outreach of civil society organisations in the developing world to national parliaments and to reinvigorate national civic processes that enhance parliamentary oversight of IFIs.

Notes

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12. Parvathi Menon, 'Loan as Lever', *Frontline*, vol. 21, no. 23 November 2004, pp. 6–19.
13. Ibid.
14. Ibid.

15. Additional details on the former Deputy CAG's concerns about the erosion of the autonomy of the CAG can be found in Birendra Prasad Mathur, *Government Accountability and Public Audit: Re-Engineering the Comptroller and Auditor General of India*, New Delhi: Uppal Publishing House, 2007.
16. Fact File on Mr Vijayendra N. Kaul, Comptroller & Auditor General of India, http://www.cag.gov.in/html/cag_biography.htm, accessed 20 August 2009.

11

Food Security, Good Governance and the Role of the State

HARSH MANDER

In India, we face many enormous paradoxes, not least the paradox of intense hunger and malnutrition experienced alongside almost double-digit economic growth, and where agricultural production has outpaced the growth of the population for many decades up to the 1990s. In simple terms, the growing economy means we have enough food and economic resources to feed all our people; yet one in every two children is malnourished, around a third of the country's women are anaemic, and the number of people who sleep hungry every night is estimated to be anything between 80 million and 200 million. Sleeping hungry every night is something that we can talk about very clinically in a room; but the portion of my work that I do as a Supreme Court Commissioner[1] has required me to look at what living and dying with starvation actually means; and I have been overwhelmed by the enormity of *avoidable* human suffering that it entails. The fact that parents have to teach their children how to sleep hungry should be very high on the list of where we—as government and as a people—have failed most dramatically.

It is difficult to explain the paradox that countries far poorer than India, with far lower rates of economic growth and lower agricultural production, have done far better than India in terms of fighting both malnutrition and acute hunger. I would suggest that some of the answers that explain this paradox lie in the direction of an enormous collapse of governance. It is also the outcome of economic policies that not only excluded but systematically destroyed the livelihoods of small producers both in the manufacturing and service sectors and in agriculture, alongside a large unorganised workforce. Finally, I think the enormous barriers of gender and social exclusion that affect people at the margins of society explain the paradox of hunger amidst plenty.

But coming back to good governance: it is here that the World Bank comes in. I think the Bank is probably the most influential institution globally in terms of creating and influencing the new discourse around 'good governance'. The phrase 'good governance' appeared in the 1990s and is actually, along with the clothes we wear and the food we eat in cities the world over, another example of globalisation, only this time one of the globalisation of an assembly line of ideas, and it is visible in every direction. It is very influentially advocated today that governance is good when government spending is reduced, when the competitive provision of public goods by the private sector is encouraged and when a set of economic policies that enables the market to function most effectively is put in place.

It is worthwhile to look carefully at the World Bank documents in terms of the discourse around good governance, because I feel that many of the problems that we are facing today in terms of the persistence of abject poverty amidst plenty arise from that discourse. It is very interesting when you look more carefully at the not very fine print: good governance for whom? In all discussions on good governance, in the World Bank's own documents, and even in Transparency International's assessments, governance is measured by the perceptions and the experience of big business. It is very clearly formal large businesses, and how they engage with governments (and how governments engage with them), that defines how good the governance of any country is. When Transparency International publishes its list of the most corrupt countries, and we look at where India is on the list, we know that it is not a corruption index in that it is not based on any objective criteria. It is rather a perception index, which is fair enough: but whose perception? For it is only the perception of formal business about the quality of government, about its level of corruption.

This is where we are going wrong. If we ask why government exists today, and I have been part of the government for a good part of my working life, there is no doubt in theory that your primary duty is to stand on the side of the poor and to uphold their rights against oppression and against violations of various types. That was the theory and if we did not act in accordance with that theory, it was seen as a deviation from your basic duty. Today, very clearly the duty of government is perceived to be to create conditions for the functioning of the market and, in particular, the international globalised market. That is perceived to be the primary role of government and it seems a very, very long time ago when one hears faint echoes of Mahatma Gandhi when he said, 'When you are in doubt, think of the poorest person'. I think that we should all think of the poorest woman that we know and let her face come into our mind; when you are in doubt about whether these policies make sense or not, think of the life of that woman, and her struggles to survive with dignity. Do these policies help her in these struggles? Thinking in this way, I believe, our perception of government would be a very different one from the view of governance as that which is good for formal business.

There is also the discourse around rights and human rights. And once again the Bank has promoted a binary distinction between economic, social and cultural rights which—so the Bank claims—should never be more than aspirational, and civil and political rights which should be enforceable in a court of law. In simple terms, if you are tortured to death, then rightly you can take the civil servant who is responsible for the torture to court and hold him liable; but if you die of starvation because of wanton failures by local authorities, no one can be held liable. Once again these realities strike me even more from the work I have done over the last few years as a Supreme Court Commissioner in the right to food case.

In today's globalised world, the enormous impact of this new (received) perception of governmental duty means that people in power do not care about starvation and death. I think that this was reflected by one serious incident that occurred when I was working in Andhra Pradesh in 2006–7. Some news reporters filmed an old man saying, 'I am starving to death'. He later comes on television saying this:, 'I am starving to death'. Three months later he actually died. I found it extraordinary that a situation was allowed to develop in which somebody could declare on television, 'I am dying of starvation' and the state still did not act. In this case I made a very strong public statement that for the poor, government seems to have ceased to exist. This was reported widely in the media, and the state government had to answer in the legislature. This led to some remedial measures, but the intervention of the state government did not happen in the natural course of things.

The official denial that almost invariably surrounds hunger and starvation means the state is willing to acknowledge malnutrition but not starvation. So whenever we have reports of starvation, the government will always respond by saying it was not starvation, but rather that the person died because of illness or something else. An interesting case in which we were involved as Supreme Court Commissioners was with the Sahariya[2] tribal children. The government in that case in its affidavit filed a report saying that the Sahariya people did not die of starvation, but instead that they died of an illness and that they were careless about their health because they were illiterate and irresponsible. There was a study attached by the official Tribal Research Institute of Rajasthan which was attached by the government in support of its claims, but this same report includes one of its findings, that the highest expenditure by Sahariya people after food was on private practitioners for health care.[3] So much for them being indifferent to their own health!

It is anyway absurd to say the people die because they are simply careless about their health. It is obvious to anyone who visits the Sahariya people and who sees their situation. If there is an acknowledgement of the existence of absolute hunger, then I think our entire set of public policies in relation to addressing hunger has to be looked at again. To take an example, at the Integrated Child Development Services (ICDS)[4] centre we provide supplementary nutrition, which is fine for the majority of children; but what about the children who come from families which have no food? Then you cannot talk about supplementary nutrition, you have to talk about primary nutrition.

We talk about the mid-day meal,[5] the universalisation of which is wonderful. But it only reaches the child who is in school. What happens to a child who is not able to come to school at all, the child who is rag-picking, the child who is begging, and so on? There is an enormous blindness and denial of the existence of absolute hunger. There is also the medicalisation of hunger. When you are talking about micronutrients as being the solution, this kind of talk is not innocent: there is such a powerful lobby in state governments, and in central government, which is seeing a profit opportunity even from the fact of large scale hunger. This lobby is trying to draw profit from the judicially imposed responsibility now thrust on the government to provide a universalised mid-day meal to all chidren in government schools aroud the country, in addition to the ICDS being located in all rural hamlets and urban slums across the country. The lobbies say instead of giving the children local hot cooked meals, give them these biscuits, these candies—different flavours—when what they are really in fact looking for is, once again, an enormous opportunity to profit. The answer to hunger is not micronutrients, it is sufficient balanced culturally appropriate food.

In 1990s we saw a slowdown for the first time since the 1960s in agricultural growth. I feel that a lot of problems are in the choice of technology which is being promoted and the neglect of the small and marginal farmers in poorer regions of the country. This problem leads to grave and widening rural inequalities: but it is not only a problem of equity. It is also a problem of growth, and unless we address millions of small indigent rainfed farmers and their agricultural production through a completely different package of organic appropriate technologies, such as organic fertiliser and local seeds, micro-minor irrigation,[6] and watershed harvesting,[7] etc., we will not be able to address hunger.

Notes

1. The Supreme Court commissioners were appointed by the Supreme Court of India in May 2002 to monitor the implementation of the court's order recognising the right to food as part of the 'right to life' enshrined in Article 21 of the Constitution. For more information, see http://www.sccommissioners.org.
2. The Sahariya are a tribal community from the forests in Madhya Pradesh and Rajasthan.
3. See the *Frontline* article which draws on the Tribal Research Institute's paper, http://www.hinduonnet.com/fline/fl2122/stories/20041105004603100.htm, accessed 28 May 2008.
4. The ICDS provides services to children in rural, tribal and slum areas across India.
5. The Mid-day Meal Scheme requires the government to provide a cooked meal to all children in government or government-assisted schools on working days, and has been in operation across almost all of India since 2005.

6. Micro-minor irrigation schemes involve the construction of small tanks and stop dams that have a limited irrigation capacity. Micro-minor irrigation schemes are usually adopted in order to allow water level of the tanks to rise and to provide employment to local labourers and artisans.
7. Water harvesting is a technique whereby run-off water (i.e., water which accumulates on the surface of the land after rainfall—and not absorbed into the soil—and moves from higher to lower land) is collected and applied directly to crops or is stored and used for future productive activities.

12

Governance and the Growth of the Black Economy

SAUMEN CHATTOPADHYAY

An integral part of the second generation World Bank reform programme beginning in the early 1990s[1] was the growing realisation that institutions condition the development process and that government is a key player in the process of development but it is also a 'problem, solution and objective'. It was also recognised at the World Bank that the primary reason for reforming the government sector is to improve its functioning to ensure the efficient use of public resources, so as to improve the delivery of public services. However, the efficacy of such policies needs to be analysed in the context of each country, taking into account country-specific characteristics.

The size of the black economy—which is synonymous with illegalities—has grown over the years[Table 12.1].[2] Notwithstanding the market-oriented economic reforms initiated in 1991, the extent of illegalities has grown as evidenced by the frequency of reported fraudulent schemes. Furthermore, the size of these scams has gone up.

The black economy has severely dented the development process, resulting in pervasive policy failure. It has contributed to unemployment, lower levels of human development, more skewed distribution of income, poorer quality of infrastructure, subversion of the political system, weakening of the institutions of democracy and increasing problems of law and order, which result in poor governance. The government is, furthermore, prevented from allowing an increase in spending on education and health as revenue collection has suffered due to widespread tax evasion. The black economy is systemic and it is thriving because of a nexus between business, bureaucracy and politicians. However, it is business interests that predominate within the trinity, with the largest share of black economy income being appropriated by corporate/industry factions, who constitute only 3 per cent of the population as argued by Kumar.[3] This is an example of illegalities being committed in the private sector to extract a larger share of the national income. Yet these illegalities can only be persistently committed in collusion with the government and political entities. However, the share of the wealth generated by these illegal activities apportioned to the bureaucracy and the political representatives remain much smaller.

The World Bank has focused on transparency, accountability, participation and the establishment of e-governance,[4] and has done so through emphasising resource utilisation using tools such as public service agreements, strengthened money management and offering incentives to spending agencies—an example being the Modernising Government Programme (MGP) component of the Asian Development Bank's (ADB) loan programme in Kerala. Furthermore, service delivery policy has also been prioritised with the help of a social audit policy and an asset renewal policy. To strengthen the functioning of government, computerisation has been encouraged, surplus staff redeployed, and the targeting and quality of poverty reduction have been improved.

The World Bank's strategy on governance is centred on institutional reform along neo-liberal lines. The focus is mainly on corruption in government, which is to be addressed by redefining the role of the government. In this reform process, the size of government is reduced by creating more space for the private sector in a market-enabling environment.

Since the focus is mainly on corruption, the World Bank governance strategy misses the crucial point: that is, that there are large-scale illegalities in almost all spheres of the economy and not just in relation to government. It is actually the drive of the business sector and industry for more profits, albeit illegally, which has co-opted the government machinery into corrupt practices. The conviction of the World Bank that a market-enabling strategy would bring illegalities down is premised on the belief that excessive and unwarranted intervention by the government breeds corruption. There is no reason to believe that a prominent government role in the economy in fact leads to more corruption. Embracing a market-friendly strategy can itself lead to more corruption in two ways: it can actually foster illegalities as the business sector gets a free hand; or it can have the effect of encouraging the relaxation, or subversion, of earlier rules, and in the process make profits easier to obtain.

As the size of the government shrinks and market principles come to dominate, poor people get increasingly marginalised. The growing use of technology can lead to a steady rise in operational costs: for example, e-governance has led to an escalation in the cost of health services. Furthermore, e-governance may not always lead to the desired result as the duplication of permanent account number (PAN) cards and the cornering of the shares in DMAT account[5] demonstrate.

Indeed, the ground reality remains largely immune to these cosmetic policy changes. Focusing on the accountability of government and participation by the people are steps in the right direction, but in a society marked by growing individualism, a lack of commitment to rules and norms, compounded by political interference, and no consensus in policy making, these basic objectives will remain unfulfilled. Therefore, what matters is not the size of the government and infusion of market principles to combat illegalities but rather the enforcement of rules in society.

Table 12.1 Estimates of the Black Economy for comparable periods

Year	*Studies*	*Estimates (in percentage)*	*Methodology*	*Remarks*
1960–61	Wanchoo Committee	5.3	Fiscal approach	
1965–66	Wanchoo	5.6	Fiscal	
1970–71	Wanchoo	5.2		
	Chopra	5.7		
	Gupta and Gupta	22.5	Monetarist approach	
1980–81	NIPFP	15		
	NIPFP	18–21		Global
	Gupta S B	42	Monetarist	Suffers from 'double' counting hence over-estimation.
1987–88	Gupta S B	51	Monetarist	
1990–91	Kumar, A.	32	Fiscal	
1995–96	Kumar, A.	40	Fiscal	Includes 8 per cent from illegal sector. Overcomes problems of the earlier approaches.

Sources: Kumar, *The Black Economy in India*.

The Wanchoo Committee quite rightly distinguished between black money, which refers to the stock of money illegally earned (or acquired) measured at a point of time and tax evasion (or tax evaded incomes, which refers to the flow of income measured over a period, say one year, on which taxes have been evaded).[6] The estimate provided by Gupta is based on monetary approach.[7] The report submitted to the Ministry of Finance, Government of India, prepared by the National Institute of Public Finance and Policy, apart from attempting alternative estimates of the stock of black money in the country based on different sets of assumptions, briefly reviewed the earlier policies and outlined major areas where policy changes are required to reduce generation of black incomes. The Report noted that the crux of the problem of black money generation is poor and ineffective implementation of policies and weak administration. It further studied various aspects of the black economy and provided for the first time a reliable estimate based on a rigorous exercise.[8] The estimate on the size of the black economy provided by Kumar (1999) is based on the fiscal method. It is an improved version of the earlier methods adopted by the earlier studies.[9]

Notes

1. While first generation reforms are concerned with realising macroeconomic stability through budget cuts and a privatisation programme, second generation reforms usually refer to alterations to the structure of the state (including the civil services and the manner by which public services—such health and education—are provided) and reforms to the environment in which private enterprises conduct their business (perhaps encouraging more competition or changing the structure of property rights, etc).
2. Kumar *et al* argue that there has not been much of a change in tax administration in the reform era and tax evasion continues. They estimated that delinquent taxes have risen at a compounded annual growth rate of 30 per cent during 1995–96 to 2005–6. The percentage collection of arrear demands has also remained static at 8 to 9 per cent. Further, they argue that the extent of voluntary compliance is not more than 50 per cent of PIT or CIT. See S. Kumar, A. L. Nagar and S. Samanta, 'Indexing the Effectiveness of Tax Administration', *Economic and Political Weekly*, 15 December 2007, pp. 104–10.
3. Arun Kumar, *The Black Economy in India*, New Delhi: Penguin, 1999.
4. E-governance refers to the creation of a one-stop portal that contains links to government, non-profit and private sector information and services.
5. A DMAT account is short-hand for dematerialised account. A dematerialised banking account removes the need for paper-based physical shares, with shares instead being bought and sold through the banking account.
6. Government of India, *Direct Taxes Enquiry Committee, Final Report* (Justice K. N. Wanchoo), New Delhi: Ministry of Finance, 1971. See also R. Chopra, 'Unaccounted Income: Some Estimates', *Economic and Political Weekly*, 24 April 1982; Suraj B. Gupta, *Black Economy in India*, New Delhi: Sage Publications, 1982.
7. P. Gupta and S. Gupta, 'Estimates of the Unreported Economy in India', *Economic and Political Weekly*, 16 January 1982.
8. Shankar N. Acharya et al., *Aspects of Black Economy in India*. New Delhi: National Institute of Public Finance and Policy, 1985.
9. Kumar, *The Black Economy in India*.

13

Delhi's Water Privatisation Plans

ARVIND KEJRIVAL

A few years ago, the Delhi government was going to privatise water in Delhi. The government ultimately retreated from its plan after facing tremendous pressure and protests. Moreover, in this instance, the government had to drop the idea of borrowing from the World Bank.[1]

The details of Delhi's failed water privatisation project are bizarre. Delhi is divided into twenty-one water zones, and this project said that the management of each water zone should be handed over to a private multinational company. This company would send four experts to each zone to run it and the salary of each expert would be US$ 25,000 per month—which is approximately Rs 11 lakh per month, totalling Rs 108 crore per annum. Given that the total budget of Delhi Jal Board (DJB)[2] is Rs 163 crore, 66 per cent of its total budget would have gone to meet the salaries of the foreign experts. So, naturally, the Union of DJB did a rough calculation and realised that the water tariffs in Delhi would need to rise at least nine times if this whole project was implemented. Further, there was to be absolutely no accountability of the companies which were coming in to implement the project.

In 1998, when this whole project was started, for the first time the Delhi government approached the World Bank for a loan to improve its water sector. The whole project proceeded in complete secrecy. There were very few people who knew about it; yet when the Union of DJB came to know something, they started making noises. In November 2004, *The Asian Age* published a report that the DJB was planning to privatise the water supplies under its control.[3] When we read the story, we filled a Right to Information (RTI) application, asking for copies of all the files dealing with this project. Initially the Delhi Jal Board refused, claiming that there was no such project, but we went to appeal, and finally they admitted that there was a project and the First Appellate Authority ordered the DJB to make all documents available to us. Finally after six months we got 9,000 pages of documents, and this included the bidding documents and the correspondence between the World Bank, the central government, the state government, the various consultants' reports, etc.

We sent all these documents to the Indian Institutes of Management (IIMs) in Ahmedabad and Bangalore. Thirty-five professors from IIM Bangalore and fifteen professors from IIM Ahmedabad then wrote to the Prime Minister, asking for the project to be withdrawn. Similarly, we sent these documents to the Alumni Associations of Indian Institutes of Technology (IITs) at Kharagpur and Delhi. Both the Alumni Associations held a press conference in September 2005 in Delhi saying that the project should be withdrawn. They then went around Delhi doing various public meetings in various parks, with various resident welfare associations. There was a lot of protest and finally the government, on 23 November 2005, withdrew this project and also the loan application to the World Bank.

Now I just want to show the manner by which the contracts were given out for this project. I will demonstrate only one such contract because, as I said, we have 9,000 pages of information. The manner by which the World Bank was intervening in granting contracts to various parties was a complete scam. I will demonstrate this by describing the circumstances whereby the Delhi government approached the World Bank for a loan to improve the city's water sector in 1998. The World Bank said okay to the loan but first asked the Delhi government to hire consultants,[4] to inform the government of what needs to be done. In order to hire the consultants, the World Bank gave a loan of US$ 2.5 million (Rs 10 crore), which is peanuts because the Delhi government is perhaps the only government in India which has a surplus budget. It is a cash-rich government and so it does not need US$ 2.5 million.

Nevertheless, the Delhi government took this money, and then they invited bids. Initially, thirty-five companies applied for this consultancy project; the rule was that in the first round the top six companies were to be short-listed. The documents indicate that the World Bank was interested, right from the beginning, in seeing this contract go to Price WaterHouse Coopers (PwC). We do not know why the World Bank was interested in having the contract go to PwC, but I will show you how the World Bank assisted PwC. In the documents that we obtained under the RTI Act, it shows that PwC sat in the tenth position. Since the rule was that top six companies should be short-listed, naturally PwC should have been eliminated at this stage. But the next page in the file is from DJB's files, where an officer has written that PwC, though ranked tenth, had been selected in order to meet the requirement laid down by the World Bank that at least one company in the final six should be from a developing country.[5] PwC was declared an Indian business and so were brought up from the tenth to the sixth position.[6]

These top six companies were then asked to submit their technical and financial bids. The rule was that the companies getting a mark of less than 75 per cent in their technical bid would be scraped, and the companies getting a mark of more than 75 per cent would then have their financial bids opened for review. PwC got a mark of 68 per cent in this round. When these results were communicated to the

World Bank, the World Bank wrote a fax message to DJB saying that the selection criteria used by the Board were not correct and that the selection criteria should be changed. The last paragraph of the fax message asks for an explanation of why such low marks were given to PwC. The next page is a letter written by DJB in response to the World Bank, saying that the selection criteria used had been provided by the World Bank and requesting the World Bank not to force them to change the selection criteria at this stage. But the World Bank did not agree. The next page is a fax message from the World Bank calling for fresh bids.

After this, a meeting of the DJB took place. This meeting was chaired by the Chief Minister of Delhi. The minutes of the meeting state that the Board believed that the World Bank was violating its own guidelines by changing the sub-criteria at this stage. This would be terribly embarrassing for the DJB and would even be questioned by the affected firms. So at this meeting it was decided that the Delhi government would send senior officers to the World Bank to persuade the Bank not to bully them like this. So, the Delhi government, through the Principal Secretary of Finance and the Chief Executive Officer of DJB, tried to persuade the Bank; but the Bank responded by saying that it had gone through the Board's requests but still wanted the bids cancelled before then reiterating its call for fresh bids.

All the bids were thereafter cancelled and fresh bids were invited. Again, the rule was that the company with marks of less than 75 per cent should be dropped. The score sheet of which company got how many marks shows this time that PwC got 73 per cent and so still did not qualify. When these results were communicated to the World Bank, it asked for information on which members of the evaluation committee had given how many marks to which company. So these results were communicated to the World Bank. A member of the committee named R. K. Jain had given the lowest marks to PwC. A fax message from World Bank says that R. K. Jain had not done a good job and that his marks should be removed. Next is a letter from DJB to the World Bank saying that, as per World Bank instructions, R. K. Jain's marks had been removed; hence PwC qualified.

When these documents came out, it raised very important questions, such as are we the citizens of an independent India? And, who is running India? We live in a democracy, so who should decide the water delivery structure? Should it be the people of Delhi or should it be the World Bank?[7]

We made a formal complaint to the World Bank on 20 August 2005, including to its president in Washington, about the way the Delhi water project was handled. One day I got a phone call from their Washington office, saying that they had gone through all our complaints and that they had not found any wrong doing against any individual officer of the World Bank. So we had a long discussion, and one of the points I made was that India does not need a World Bank loan today. You see, we need to understand that a country might be persuaded to seek a World Bank loan primarily for two reasons: either we have a foreign exchange problem or we are a bankrupt country and we need money.

Today, whatever economic position we have, I do not think either of these two conditions is satisfied. We have a huge foreign exchange reserve and we have throbbing capital markets where the government, if it goes to the capital market, can raise any amount of money. And, secondly, the World Bank is not a development bank. It is basically a commercial bank. It has primarily two branches, one is the International Bank for Reconstruction and Development (IBRD) and the other is the International Development Association (IDA). The IDA gives soft loans,[8] but the IBRD gives loans on commercial terms. Now most of the loans being borrowed by India of late have been on commercial terms lent by the IBRD, and not by the IDA. So the IBRD basically borrows money from the capital markets of developed countries and then lends to developing countries. Naturally, it wants to earn money out of doing so and is thus a commercial bank like any other bank—Citibank, for example. Hence, we need to understand the effective rate of interest; for instance, in the DJB project, the effective rate of interest being paid by DJB was coming to 12 per cent per annum which is very high. Now if the Delhi government tries to raise this money today on the capital markets, it can easily raise any amount of money at a 6–7 per cent rate of interest, which is roughly half the rate of interest of the DJB project. So, does India need a World Bank loan today? We should treat the World Bank like any other bank. We should negotiate with them like we would with any other bank.

So, when I received the aforementioned call from the Washington office of the World Bank, I said that India does not need a World Bank loan today because our interest rates have gone down so substantially and the rate of interest charged by the Bank is pretty high. The World Bank official said that she agreed with me but if your government goes to the Bank and borrows, then they cannot stop it. So, she said that I should protest with the government. Therefore, we need to realise that we do not need to fight with the World Bank; we have to fight our own government and ask why they are going to the World Bank and begging.

Notes

1. The following analysis is based on documents accessed under the Delhi Right to Information Act (2001) and the National Right to Information Act (2005). Using the right to information laws between 2004–5 the Right to Water Campaign accessed records, documents related to the Water Distribution Improvement Project, which was to receive funds from the World Bank. All documents referred to in this chapter have been accessed from the DJB and the Delhi government.
2. Delhi Jal Board is a public organisation that produces and distributes water in Delhi.
3. *The Asian Age*, 11 November 2004.
4. The World Bank's procurement rules with respect to the selection and employment of consultants can be found at http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Consultant-May-2004.pdf. The World Bank's rules on the procurement

of goods, workers and services can be found at http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Procurement-May-2004.pdf, accessed 10 October 2008.

5. See the World Bank's rules on the procurement of consultants, page 17, Section 2.6.
6. PwC has a subsidiary registered in Kolkata, known as PwC India. The World Bank's procurement rules state that: 'For the purposes of establishing the short list, the nationality of a firm is that of the country in which it is registered or incorporated' (p. 18).
7. The response offered by Michael Carter, the World Bank's country director in India, to the claim that the World Bank favoured PwC in the bidding process for the Delhi water consultancy contract can be found at http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:20600280~menuPK:158843~pagePK:146736~piPK:146830~theSitePK:223547,00.html, accessed 10 October 2008.
8. Soft loans are loans which are given at a low rate of interest with generous repayment terms.

14

How Transparent is the World Bank?

NIKHIL DEY

I will begin by recounting an interaction that symbolises what I have to say through the prism of the Delhi water privatisation project and its relation to the World Bank.[1] I remember one particular meeting with the World Bank after the Parivartan[2] people had already accessed 4,000–5,000 pages of documents regarding the project. The World Bank country director in India, Michael Carter, called all the people involved in the campaign against Delhi's water privatisation for a meeting in the World Bank office in August–September 2005. It was a very interesting meeting with the country director making a PowerPoint presentation in the presence of the top brass of the World Bank India office. They were all there to convince those who had raised objections. Arvind Kejrival[3] was present too, and on behalf of the critics he began with one important question: 'Before going into further details, I just want to know whether you are giving us copies of all the documents concerned with the water project in Delhi. Whether you are giving us the correspondence between the Bank and anyone else regarding the water project, including the Government of India, the Government of Delhi and any contracts with consultants?' The simple answer from the Michel Carter was, 'No, we can't, and we won't because our disclosure policy doesn't allow us to do so.' All of us then decided that we had nothing further to discuss with the Bank because if the World Bank wants a dialogue with us, then it must be on the basis of equality: we must know what has been discussed with everyone else involved.

As it happens, the right to information[4] legislation in India had already given us access to all the documents that we were asking Michel Carter for. He was, of course, not willing to give us these documents. He said, 'If your country allows such access then take it from there. I won't object to that.'

In fact, as I will go on to show, that was not entirely true. The Bank does object to information disclosure. If you look at the World Bank disclosure policy against its own claims of being transparent, it is actually acting quite contrary to what it says: it is leading the way in non-disclosure rather than leading the way in transparency. Whatever the World Bank says, it really acts as a commercial bank, even while it describes itself as a development- or project-oriented institution.

To help understand World Bank transparency norms in India, I aim to take you all through a very simple exercise. First, we must look at what an effective right to information instrument should contain. Then I would like to test both the Indian Guide to Information law and the World Bank disclosure policy against those standards, and against each other.

In any kind of information system, there are four essential ingredients. These are present in some form within the Indian right to information law. I am not presenting India as paragon of information disclosure. But, even in a limited situation, what does the Indian law allow us? What is the World Bank's policy? Does the World Bank pass its own test? Is it even fulfilling all the principles it lays down for itself?

The first point is that there should be maximum disclosure and minimum exemptions. We should get all the information that we ask for. Only that information the revelation of which harms the public interest should not be disclosed. There should be a small, minimalist negative list mentioning what particular information is not available.

Second, there should be penalties for not disclosing information in time and in the manner as required by the right to information instrument.

Third, there should be an independent appellate authority.

Fourth, a strong s*uo motto* or proactive disclosure policy should be adopted. If you are not releasing any information to the public on demand, then people must have the right to get that information for themselves.

Let us now examine the World Bank's own disclosure policies and their stated commitment to transparency. The World Bank's policy of disclosure was first adopted in 1994, and then revised in 2002.[5] It was then revised again in 2005.[6] In Part 2 of the information disclosure policy, the Bank endorses the fundamental importance of transparency and accountability to the development process.[7] Accordingly, it is the Bank's policy to be open about its activities. 'The Bank' claims to welcome and seek out opportunities to explain its work to the widest possible audience. The disclosure policy says that the Bank will provide information as a development organisation, as an organisation owned by its member countries, as a borrower and as an employer. The disclosure policy ends by saying that there is a presumption in favour of disclosure. But if you look carefully at what this presumption amounts to, a very different picture emerges. The disclosure document lists sixty or seventy documents by name. Only these are available. They are basically all published documents. It is in fact like an advertisement. These are documents that the Bank wants published so they are made available. Seekers may seek, but the Bank chooses whether or not to disclose.

All disclosure decisions are finalised by the Executive Board of Directors of the World Bank and are subject to two considerations. First, confidential and sensitive documents are excluded from Country Assistance Strategies (CAS); second, relevant board discussions are transmitted to the executive directors separately in a memorandum from the president that shall not be disclosed. Therefore, it appears that even the documents being put out can be censored through the use of a memorandum sent to the president that can separate and exclude any sensitive information. The documents which are released consequently become sanitised in a way desired by the Bank. So, if you ask the Bank for information on your country, and they do not want to release such information, it gets put in a 'memorandum to the president'. The World Bank's management claims that these procedures will result in 100 per cent disclosure of CAS-related documents. This is basically a game that the World Bank is playing, that allows it to keep all the important information secret while disclosing only published documents.

Through a case-by-case approach, materials which the Board of Directors deems to be too confidential and sensitive will be 'redacted' prior to disclosure when the board members have an opportunity to identify any material that should be removed before publication. Redaction is a very interesting process—what you do not want to give, what you do not want to say; you do not in fact reveal. So, although you have a so-called positive list, what the Bank does not want to release in the public domain even with regard to the CAS, it transfers into another document and then redacts that document. The Bank is giving nothing away.

Now, I would like to ask: does the World Bank pass its own test? The Bank supposedly has a regime for accessing information but what information does it make easily available? As we have mentioned earlier, any effective transparency and access to information regime must (*i*) practice an open regime with a very small and restricted negative list; (*ii*) impose a penalty if information is not available; (*iii*) have an independent appeal mechanism; and (*iv*) have effective and open modes for proactive disclosure.

I will now discuss all of these points in the context of the World Bank as well as India's right to information law. The interesting thing is that the 'information' which the Bank allows access to is only information like CAS. India's Right to Information legislation, on the other hand, provides an interesting contrast. Under Section 2(a) of the Act, any information relating to any document, any sample and any material must be made available. 'Information' in the Indian context does not need to be clearly defined. Information here can relate to anything—like goods, samples or documents, including advice, opinion, emails, etc.[8] Anything from which we can learn is information. The Act defines information in its widest possible manner. The World Bank disclosure policy describes it in the narrow realm of listed documents. There is no question that even just taking this into consideration the Indian Right to Information Act is much better than the World Bank's information disclosure policy.

The Indian law has two sections, which allow for particular categories of information to be withheld. There is negative list detailed under Section 8 of the

Right to Information Act. [9] Also, Section 24 says that information relating to the intelligence and security agencies is not available to the public. But a proviso in that section also mandates that even the intelligence and security services must release information if it is related to corruption and human rights violations.[10] But there is a public interest override clause in all of the exemptions.[11] If the information is not available, because it falls in one of the categories under section 8(1) and you can prove that the information has a strong public interest related to it, then public authority should disclose the information.

How does one access information? Right to information in India means that people have the right to access information, which is held by, and is under the control of, any public authority, and 'includes the right to inspect work, documents or records, taking notes from them or taking certified copies or certified sample of material'.[12] The World Bank, by contrast, requests people to go to their website and take any document which is uploaded there. But having a right to information should mean the right to examine and inspect their work, and even to enter into the Bank's office. But in reality we can only enter their office at their pleasure. So, with regard to the World Bank, there is no *right* to information. Disclosure in their case means access only to what they want to give us.

In relation to the private sector, the Indian law is weak. But there is one provision in the Indian law which is quite interesting: the latter parts of Section 2(f). It says that all information relating to a private body, which can be accessed by a public authority under any other law at that time in force, should also be accessible under the right to information. Therefore, in India, where a private body must release information to a public authority under another law, that information must also be made available if requested under the right to information. This is one step forward when it comes to accessing information regarding private bodies. By these standards it should have been declared in the Bank policy that any information that the Bank can access in pursuance of its particular needs should also be accessible to the people affected by the Bank's projects. But the Bank actually finds excuses to keep out of the public domain all of that information.

At the World Bank they have, in fact, an information shop in every office—or I guess the place where you buy their documents can be called an information shop. Everything about the Bank, about its deliberative and implementation process that we might seek to understand and back with proof, must be accessed through these priced documents. If the information we seek is not present in these documents, we have no choice but to use our discretion and make deductions about the Bank.

Basically, there are two ways by which the Bank can deny the claims others make about it—they deny, firstly, by making a positive list and keeping everything else out; or, secondly, by making a negative list that is so broad that they in effect deny by hiding information without anyone knowing what has been given. This form of denial is the worst because the document might appear 100 per cent complete, but you do not know what has been hidden (deleted) and so do not know what to look for. Compared to any real information regime, it is an utter failure.

What if you do not receive information as per your entitlement? The sanction for non-compliance in India is a fine of Rs 250 per day.[13] It is a fine for every day the information is not available for a two-month period. There is also a provision for compensation and for departmental action against the erring employee.[14] But in the case of the World Bank, if you do not receive any information, then there is nothing you can do about it. There is nowhere to go and no one to ask. There is no provision placing obligations on the Bank vis-à-vis its own limited disclosure policy.

Where do you go if you do not get information as per your entitlement? The Bank has no independent appeals mechanism. Appeals can only take place within the World Bank. There is an independent appeals mechanism in the case of India that has two levels: The first appeal is within the department, and the second is outside the department with an independent Information Commission.[15] Yet here in India we have all been raising objections that it is not independent because many former bureaucrats have been appointed as commissioners. But at least we have the provision. It is not the case that India is perfect, but India is better than many, and certainly better than the World Bank which claims that it is very transparent. In India there is an appeal process, a complaint process, there is a time limit and during the appeal the burden of proof is placed on the party withholding the information. The World Bank has no appeal process though it does have an 'inspection panel'. However, even for getting access to the documents used by the inspection panel itself, you have to be subjected to an inspection process.

Besides the negative list issued by the Bank, it also claims that there is a need to preserve the integrity of the deliberative process and to facilitate and safeguard the free and candid exchange of ideas between the Bank and its members. Here we can see that the entire deliberative process is kept expressly secret. We will never know what the basis for the decision-making process is, who said what and who was consulted. Nonetheless, the whole debate—the whole deliberative process—on India or any other country is contained within the World Bank's filing system. The Bank claims that the aforementioned principles relating to the preservation of the integrity of the deliberative process also apply to the Bank's own decision-making process. Thus, internal documents and memoranda written by the executive directors and the senior advisors, by the President of the Bank, by the Bank's other staff, such as supervisors and subordinates, are all considered confidential and hence are not publicly available.

The public accountability of some information, so the Bank claims, may be precluded on an ad hoc basis because of its content, or its wording or the timing of disclosure, if the disclosure is likely to be detrimental to the interest of the Bank, or a member country or the Bank's staff. According to the Bank, disclosure might, for example, adversely affect the Bank's relationship with a particular country because of the frankness of the views expressed, or views which may also be premature. Information, as far as the Bank is concerned, is not withheld solely because it is negative. Then, finally, the Bank says that it is an open and technically competent institution which learns from its mistakes and seeks to provide balanced information reports on its failures. Hence, the Bank likes to claim that it is a very balanced institution: by implication, others who demand that the Bank meets the requirements of its disclosure policy are the ones who are in fact imbalanced. With regard to the rest of the disclosure policy, the categories of information the Board has approved for disclosure to the general public or interested individual or groups are set out in Part 3. The disclosure of information not provided in these three parts requires Board authorisation on a case-by-case basis. But that is just a fantasy because it is simply impossible to go to the Board.

Given this scenario, the only hope was if the Bank had a very radical and open proactive disclosure policy. Unfortunately, except for the website and information shop, there is little evidence of mandated proactive disclosure. Under Section 4 of the Indian Act, there are seventeen points which require the public authorities to make information available regardless of the willingness of the government functionary. We have found that this provision is not implemented in its true spirit at all, but it still gives citizens a chance to push the government to be increasingly and more proactively transparent.

The Bank says that it is leading the world in emphasising the importance of information disclosure, and that its own approach has evolved over time. Of course, information disclosure is more than just an issue for a development agency; rather, it is also a key pillar in the efforts made by different countries to improve their governance. The Bank's longer-term vision for information disclosure is not only focused on transparency and accountability with regard to the Bank's financial operations, but it is also focused on moving the disclosure agenda to the country level to facilitate transparency and accountability in relation to the entire development programme. As a leader in the process, the Bank has a responsibility to further open access to its own information by expanding the list of available information.

As we have seen, the bank has failed to meet minimum standards on all four counts of open and effective access to information. They also fall far behind a country like India in putting in place a right to information regime. They should be putting their house in order, start borrowing and importing provisions from the strongest right to information laws, and change the way in which they design their consultative process with ordinary people across the world. Yet, rather than do this, they are now getting into the business of telling countries, including India, what to do.

This little story that started with Michael Carter and Delhi's water privatisation policy ends with Mumbai's water reform.[16] The senior advisors to the World Bank working on the reforms in Bombay have, following the Delhi experience, reportedly offered advice that the World Bank should now sign contracts directly with the different consultants and not involve the government at all, so that under the Right to Information Act of India, the Indian citizens will not be able to access documents, thereby circumventing the strategy that proved successful for activists in Delhi.[17] So the World Bank is certainly active, whether or not we are.

(Note: This is an abbreviated version of the presentation made at the Tribunal. It has been prepared from a transcript of the presentation. The full version is available at www.worldbanktribunal.org)

Notes

1. I would like to acknowledge the contribution of Aruna Roy, Sowmya Kidambi and Suchi Pande for their inputs.
2. Parivartan, or the Participatory Research and Development Network, is a not-for-profit organisation looking to bring about positive change in the lives of people on the margins of society. For more information, see http://www.parivartan.org.in.
3. Contributor at the Tribunal, a member of the Delhi Jal Board Union and a resident of Delhi. See 'Delhi's Water Privatisation Plans' in the current volume.
4. The Right to Information Act 2005 permits citizens of India to retrieve documentation held by the central and state governments. For more information, see http://righttoinformation.gov.in, accessed 8 November 2008.
5. The World Bank Policy on Information Disclosure (2001), http://www1.worldbank.org/operations/disclosure/documents/disclosurepolicy.pdf, accessed 8 November 2008.
6 World Bank, Disclosure Policy: Additional Issues—Follow-up Consolidated Report (Revised), 14 February 2005, http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000112742_20050316141535, accessed 8 November 2008.
7. World Bank, Policy on Information Disclosure, 2001, pp. 2–3.
8. Right to Information Act 2005, Section 2 (f).
9. Ibid., Section 8 (1) (a).
10. Ibid., Section 24 (1).
11 Ibid., Section 8 (2).
12. Ibid., Section 2 (j).
13. Ibid., Section 20.
14. Ibid., Section 19 (8) (b).
15. Within the Information Commission, the appeals process involves applications to the Central Information Commission or the State Information Commission in instances where the central information officer or the state information officer refuses to accept an application for information under the Act; refuses to release information under the Act; refuses to release information within the time limits defined in the Act; demands a fee for the information which is unreasonable; provides incomplete information (Section 18(1)). The second level to the appeals process that operates outside of the Information Commission provides for an appeal to an officer who is senior in rank to the central public information officer or the state public information officer (Section 19), with the possibility of a further appeal thereafter to the Central Information Commission or the State Information Commission.
16. For details of the World Bank's role in reforms to the provision of water in Mumbai, see Afsar

Jafri on the Public-Private Infrastructure Advisory Facility in 'PPIAF Case Study—Mumbai India', http://www.wdm.org.uk/resources/briefings/water/ppiafmumbaicasestudy31052007.pdf, accessed 8 November 2008.

17. Contract/correspondence documents between the World Bank and Castalia (consultant) accessed under the RTI Act 2005 in relation to the K-East Water Distribution Improvement Project.

15

Mining and the World Bank Inspection Panel

TONY HERBERT

The World Bank Inspection Panel[1]

The idea for an inspection panel originated as early as 1990, when civil society groups engaged in seeking accountability of international financial institutions (IFIs) began advancing specific proposals for an appeals or investigative body to increase the Bank's accountability. In early 1993, the Centre for International Environmental Law and Environmental Defense Fund drafted a detailed proposal for creating an independent appeals commission at the World Bank.

Although policymakers from several countries and some of the Bank's executive directors voiced support for an inspection panel, the most critical pressure came when the US Congress introduced the creation of an inspection panel as one of several key conditions for further funding of the International Development Association (IDA), the Bank's concessional loan arm. By the fall of 1993, the adverse publicity that accompanied the release of the Morse commission and the Bank's internal Wapenhans report and the explicit pressure brought by the US Congress forced the World Bank to create the independent inspection panel (as well as to revise its information policy).

The panel opened its doors for business in September 1994, and as of September 2007, it had received forty-nine claims from around the world. The investigative panel can only investigate and offer corrective action for lapses in compliance on part of the World Bank Group. In that sense, there are no available channels to redress civil society and community grievances.

This submission concerns the mining sector, and in particular, coal mining in Jharkhand in the Damodar Valley, north of Ranchi. Coal mining there is done by the public sector undertaking, Coal India Limited (CIL) and its seven subsidiaries, one of which is Central Coalfields Limited (CCL). In September 1997, the Bank approved the loan for the India Coal Sector Rehabilitation Project.

The loan recipient was CIL who are owners and managers of the twenty-four mines of the project. By substantial financial inputs, the project objective was to 'rehabilitate' (to modernise and enhance) the production of twenty-four selected mines of CIL. Originally there was to be one loan, but this was split into two components, one for the rehabilitation of the coal sector and one for environmental and social aspects. East Parej was a project under one of the subsidiaries, CCL.

The Coal Sector Rehabilitation Project (CSRP)[2]

The World Bank's financial commitment to this project included an International Bank for Reconstruction and Development (IBRD) loan of US$ 530 million and an IDA credit of US$ 2 million. The total project cost was US$ 1,700 million which included a US$ 300 million investment component and a US$ 200 million fast disbursing programme component. The investment component would finance the purchase of mining equipment for the modernisation and maintenance of twenty-four CIL opencast mines, chosen on the basis of larger profitability. This would increase the total output of the mines from 78.6 million to 104.6 million tons/year. The loan would also contribute to the overall modernisation and profitability of CIL.[3] The Environmental Impact Assessment[4] (EIA) estimated that by the year 2004, the project would thus boost CIL's annual production to about 320 million tons, as compared to about 240 million tons without the project.[5]

The project was due to expire in June 2003. However, the second phase was cancelled on 24 July 2000. At that time, IBRD loan disbursements were US$ 235.7 million and IDA credit disbursements were US$ 1.41 million. The Japan Bank for International Cooperation (JBIC) was also funding the project and their disbursements were the equivalent. In July 2000, JBIC also cancelled their lending.[6] The official reasons for cancellation of the second phase of the project were outlined in the *Implementation Completion Report*. There were four official reasons:[7]

- Coal sector reform was not implemented to encourage private sector involvement in the coal sector
- Regulatory frameworks were not created to encourage private sector involvement in the sector.
- There was a failure in financial restructuring of two of CILs subsidiaries which were operating at a loss.
- There was a lower than expected demand for Coal.

The Coal Sector Environmental and Social Mitigation Project

This project was initially conceived as a component of the CSRP but was subsequently taken out as a separate project. Both projects were linked by legally binding cross-conditionalities.[8] The aim of the project was to assist CIL in making coal production more environmentally and sociably sustainable. Its three objectives were to:

- Enhance CIL's institutional capacity to deal more effectively with environmental and social issues.
- Implement policies for environmental mitigation and resettlement and rehabilitation (R&R) of affected people.
- Help CIL develop its polices for R&R, community development, environmental management.

The components of the project included:

- Rehabilitation Action Plans (RAPs) for fourteen mines where people were to be resettled.
- Indigenous People's Development Programmes[9] (IPDP) in twenty-four mines for villages within 1 km radius of the mines.
- Capacity building and institutional changes in CIL (appointment and training of resettlement and rehabilitation officers, public information centres).
- Appointing non-governmental organisations (NGOs) to facilitate the RAPs and IPDPs.
- Formation of village working groups.

'Self-employment' was the main strategy for economic rehabilitation; employment in the company, the traditional means of economic rehabilitation, was radically curtailed.

The Coal Sector Environmental and Social Mitigation Project was funded through an IDA credit of US$ 63 million, granted in May 1996. On closure date, 30 June 2001, US$ 24m was not disbursed, so the project was extended until 30 June 2002.

An Extended Interaction between NGOs and the World Bank

From early 1996, a local NGO, Chotanagpur Adivasi Sewa Samiti (CASS), and international NGOs had an extended interaction with the Bank on the issues of coal mining in this project.[10] This interaction included the following[11]:

25.02.96: 'Comments': an initial communication of Indian NGOs to the World Bank.
20.04.96: 'Report on the East Parej Opencast Coal Project (OCP)' by CASS.

26.04.96: 'Mainstreaming Sustainability? The World Bank and the Rehabilitation of the Indian Coal Sector'. Report prepared by Berne Declaration (Swiss NGO).
30.04.96: 'Environmental Arguments' by Mine Watch (British NGO).
13.05.96: World Bank Project Task Manager, Mr Peter Pollak, reply to 'Mainstreaming'.
15.05.96: NGO rejoinder to the World Bank's response to 'Mainstreaming'.
09.06.96: 'Memorandum' by Indian NGOs on the occasion of Mr Peter Pollak's visit.
13.09.96: 'Critical Benchmarks' submitted by thirteen NGOs.
04.10.96: NGO discussion of 'Benchmarks' with the Bank's India Department, Washington.
29.10.96: Letter to Mr Chaoji (CIL) on 'Arrest & Beatings'.
01.11.96: Mr Vergin's response (World Bank) to Benchmarks.
12.12.96: Mr D. Marsden's (World Bank) 'Update Concerns'.
07.02.97: 'Outstanding Issues'
27.02.97: Ms J. Pantelic (World Bank Project Task Manager), 'Issues to New Task Manager'.
05.04.97: Local NGO Meeting with CCL, Ranchi
16.04.97: Meeting in Washington between northern NGOs and the World Bank
25.04.97: Mr Drysdale's response (World Bank) to 'Outstanding Issues'.
27.04.97: CASS letter to Mr Bauer (World Bank).
30.04.97: Second meeting in Washington, between Northern NGOs and the World Bank.
30.04.97: Meeting with Mr Marsden at Charhi.
06.05.97: Ms Pantelic to Mr Peter Bossard (Berne Declaration).
09.05.97: Consultation in Paris, between the World Bank and northern NGOs.
13.05.97: Mr Bossard re: Delhi NGO Meeting.
13.05.97: Mr Bossard to Mr. Gerber (Executive Board of the World Bank).
14.05.97: Mr K. Singh (CASS) to World Bank re: Delhi NGO Meeting.
14.05.97: CASS to Mr Pantelic re: Delhi NGO Meeting.
15.05.97: World Bank proposed NGO consultation in New Delhi.
20.05.97: Letter to World Bank President Wolfensohn (forty-two NGOs from twelve countries).
04.06.97: Response by President Wolfensohn.
12.06.97: 'Output Indicators' proposed by NGOs.
30.09.97: Mr McKechnie's response (World Bank) to 'Output Indicators'.
03.02.98: CASS to Mr Pantelic.
19.05.98: CASS to Mr Asger Christensen (World Bank Task Leader).
01.09.98: CASS to Mr Asger Christensen.
12.12.98: CASS Letter (and twenty-four NGOs) to World Bank.
14.02.99: Mr Asger Christensen's response to CASS.

mid-99: Efforts by CASS and Minewatch to obtain mid-term Review.
24.07.99: CASS to Mr R.R. Mohan (World Bank India Office)
08.09.99: Mr Asger Christensen to CASS.
04.01.2000: CASS letter regarding Borwa Tola village evictions.
27.01.2000: Letter to Mr Mohammad Hasan (World Bank Delhi).
08.02.2000: World Bank response to CASS on Borwa Tola village evictions.
11.02.2000: Letter from Mr Mohammad Hasan
22.02.2000: CASS reply to World Bank response of 8.2.2000.
4.08.2000: *Wall Street Journal* article in which the World Bank virtually admits failure of CSESMP project.

The issues consistently being raised in the aforementioned discussions were:

- Economic rehabilitation for persons affected by the coal mine, either through employment or through replacement land was necessary. Mere house resettlement is not rehabilitation.
- The inadequacy of 'self-employment opportunities' as the basis for economic rehabilitation to replace formal employment.
- Genuine information sharing and consulting of project-affected persons. While consultations did take place, they were very much 'stage managed'.
- The multiple impacts of other mines, nearby or adjacent, whose social and environmental impact had not been included with the impact of this mine. An area impact assessment was necessary.
- Compensation for 'gair mazurwa' land (land held by people for generations, but not formally settled).
- The need for legal documents for land on which they were to be rehabilitated.
- Enlarging the resettlement plot to allow for second-generation expansion, space for kitchen garden and animals, which were impossible in the plots being allotted.
- Tensions with host communities where they were to be resettled.
- On-going mine restoration for post-mining use.

The Inspection Panel

The NGO CASS submitted a request to the World Bank for an inspection on 21 June 2001, on behalf of village applicants who requested anonymity.[12] The management of the project responded to the Inspection Panel on 20 July 2001, maintaining that it had complied with the Bank's environmental and social safeguard policies. The Panel recommended an investigation after reviewing the management's response and visiting the project area. The recommendation for inspection was approved on 7 September 2001 and the Panel visited the site in December 2001.

Box 15.1 Summary Inspection Panel Report submitted to theBoard, 25 November 2002.[13]

Counts of Compliance:

Inspection Panel Report Paragraph Number: Operational Directive Number, Excerpt

129: ODN 11.03
'While there are irresolvable issues related to cultural property management…Management has acted responsibly in consulting local people and has acted in good faith….'

152: OD 4.30 Paragraph 17
'Since a grievance mechanism was established in Parej East … Management is formally in compliance…. However, Bank staff were unable to confirm whether any independent person was on the grievance committee… [and were] unable to establish whether or not PAP members are elected democratically….'

299: OD 4.20
'The decision to include all vulnerable people in … a framework plan … was in conformity….'

432: OD 4.30 Paragraph 8
'The Panel recognizes that Management ensured that the PAPS in Parej East were interviewed during the process of the Baseline Survey preparation.'

440: OD.4.30 Paragraph 8
'During the three years that elapsed since the RAP had been prepared there is scant evidence of consultations on planning for displacement, except occasionally at the insistence of CASS'.

473: OD 13.05
"The current supervision team has generally made a significant effort to overcome the major problems outstanding".

Further commendations:
291:
'The current Bank supervision team must be commended for recognizing that a land-based income restoration option was essential….Unfortunately this will not help the PAPS in Parej East.

340:
'Recent efforts by Management have resulted in some progress in addressing an enormous challenge [which] presumes a massive shift in the institutional culture of the key implementing agents.'

466:
'The supervision team generally made a significant effort to overcome some of the problems stemming from the flawed RAP and IPDP for Parej East'.

Counts of Non-Compliance:

Inspection Panel Report Paragraph Number: Operational Directive Number, Excerpt

57: OD 4.30 Paragraph 30
'Management relied almost entirely on non-farm self-employment as the strategy to regain standards of living, without assessing its feasibility for income restoration in Parej East. As a result, many PAPS in Parej East have failed to restore their living standard and incomes to their previous levels and consequently have suffered and continue to suffer harm'.

74/75: OD 4.30 3(b)
'It is not appropriate that PAPS should have to go through a lengthy and costly judicial process to get just compensation, especially since not all PAPS can afford the direct costs of an appeal process and, even if they could, they would end up losing unless the costs of the appeal were added to their award'.

78: OD 4.30 para 8:
'The compensation process in Parej East was and is not transparent'.

96: OD 4.30 para 8:
'It seems evident that PAPS in Parej East were not consulted in the selection of the Pindra resettlement site….'

110: OD 4.30 paras 13 and 19
'The Parej East RAP simply repeated Coal India Ltd.'s R&R policy in respect of the size of plots and did not provide for second generation growth or land for gardens and animals'.

117. OD 4.30 para19
'[Management failed] to ensure access to potable water before the PAPS were moved to the Pindra resettlement site….'

126. OD 4.30 para 19
'At the resettlement site they found a school building with no teachers, despite OD 4.30 and promises to the contrary'.

144/145: OD 4.30 paras 13(c), 14(a)
'It is clear that the question of title transfer should have been identified and dealt with when the Parej East RAP was prepared…. Now, up to four years [later] they are still suffering the harm that results from lack of title, including a sense of insecurity and … an inability to borrow for self employment income restoration schemes'.

177: OD 4.30, OD 4.20: 5c
'Management was not in compliance… with the preparation of the Parej East RAP'.

179: OD 430
'Management has failed to provide … compensation [to] PAP's who own land under traditional or customary rights'.

196: OD 4.20 para 15(a)
'The Parej East Baseline Survey provides information on the resource base of the affected population, including income derived from forest resources'[14].

204: OD 4.30 para 15(c)
'The RAP states that the Pindra resettlement site will provide equivalent access to the forest … but the Panel found no evidence to indicate that … Management ensured that access would be available or that access … would provide PAPS who moved there with equivalent compensation for loss of their access to forest products'.

212: OD 4.30 para 3(b)(iii)
'The income of at least 21 percent of PAPs in the Parej East subproject had not been improved, still less, restored'.

227: OD 4.30 para 30(e)
'It is quite understandable that PAPS who opted for jobs in June 1994 should naturally expect to receive those jobs. Nor is it surprising that those who owned less than two acres continued to demand and expect jobs for land. It must have been a shock for them to discover otherwise when finally presented with the reality of their situation in early 1997'.

235: OD 4.30 para 4
'Under the Bank's policy, the land for land option is not mandatory, but it is clearly preferred wherever possible. Under CCL's Parej East RAP, CCL was to offer assistance to PAPS to find replacement land. According to Management, CCL received no requests for such assistance. But in the RAP some 117 opted for this assistance and 115 qualified'.

243: OD 4.30 para 24, 29 and 30
'Management failed to ascertain the adequacy or feasibility of the self-employment income rehabilitation strategy in the Parej East RAP during appraisal and, after a Market Survey was finally conducted in March 1998, it failed to ensure that the recommended follow-up measures were taken'.

258: OD 4.30
Restatement of number 57 above.

267: OD 4.30 para 30
'It was a major planning flaw for the Bank not to have recognized that it was unrealistic to expect that the PAPS in Parej East could become entrepreneurs in five years'.

284: OD 4.30 3(b)(ii)
'Management has failed to comply with [the directive] that requires that displaced persons 'be supported during the transition period in the resettlement site".'

304: OD 4.20 para 18
'It is clear that the Bank was not in compliance in failing to require an assessment and clearance of the IPDPs for each mine at appraisal. Specifically, the IPDP for Parej East was not reviewed.'

316: OD 4.30 para 18
'The Parej East IPDP should have been responsive to local needs. It was not. The Panel considers that Management could have assessed a local NGO report on the IPDP prior to CSESMP approval. Especially since it did not itself review the Parej East IPDP'.

326: OD 4.30
'In Parej East, an indicative IPDP [as opposed to location-specific] was the basis for the Annual Implementation Plans, which turned out to be inflexible and largely unresponsive exercises'.

331: OD 4.20 para 14(a), 18
'Management fail[ed] to ensure meaningful consultation in the preparation of the original Parej East IPDP.'

341: OD 4.20 para 15(d)
'The community development strategy for all three mines in the two different States is described in the exact same terms. Although the strategy has evolved, it is not location specific, nor is it sensitive to the composition, structure and needs of the community'.

394: OD 4.01 p. 21, BP 17.50 p.12
'While Management ensured that the SEIA,… EAP and RAP were placed in the Bank's PICs [Public Information Centers] in Washington and New Delhi before appraisal, it failed to ensure that the reports were available in Parej East at a public place accessible to affected groups and local NGOs for their review and comment, not even a Summary of their conclusions in a form and language meaningful to the groups being consulted.'

409: OD 4.01 p. 21, BP 17.50 p.12
'For poor, vulnerable and now dependent people, it is clearly intimidating to approach an [information] office in [the mine Headquarters' compound], let alone walk in and freely request information, register complaints and engage in dialogue'.

424/425: OD 4.01, BP 17.50
'The Panel finds no evidence of, and no documentation of, meaningful consultations on the Sectoral Environmental Impact Assessment and the Environmental Action Plan with the PAPS or local NGOs in Parej East'.

432/433: OD.4.30 para 8
'There is nothing to indicate that the PAPS in Parej East were "systematically informed and consulted during preparation of the resettlement plan about their options and rights"'.

434: OD.4.30 para 9
'The evidence is clear that the host community for the Pindra resettlement site was not consulted during project preparation'.

448: OD 4.01 para 19
'Before 1998 and after 2000, Management did not ensure that the views of local NGOs in Parej East were taken fully into account in the project design in particular with regard to implementation of the RAP'.

456/457: OD.13.05
'In the Panel's view, it is most unfortunate that Management did not act on the unsatisfactory nature of the supervision consultant's reports on the social aspects of the Project before February 1999'.

Further, the Report raises serious questions:

85:
'Both the process and the basis for house compensation was open to abuse and raises serious questions, as in the case of compensation for land'.

88:
'It is difficult, if not impossible, to reconcile the Bank's aim of development with a one-time cash grant for acquisition of home and land. Presenting a poor oustee, whose previous source of survival included a small patch of land, with a check, probably more money than he or she has ever seen or expected to see in a lump sum, may be a legal way of getting them to move on, but it should not be confused with development. The Panel highlights that it has been recommended that the Bank commission a post-Project audit to assess the long-term results of the cash settlement approach'.

152:
'Bank staff were unable to confirm whether any independent person was on the grievance committee. The Panel is also concerned that it was unable to establish whether or not PAP members are elected democratically or are selected by authorities'.

271:
'A feasible strategy for income generation should have been in place in Parej East at the time the RAP was prepared'.

283:
'Management failed to ensure that the Parej East RAP made effective provision for support during a time-bound transition period.... Some PAPS have suffered harm by temporarily losing their standard of living and a number continue to do so'.

348:
'The Panel is concerned that there has been no concentration on long-term projects such as literacy and numeracy classes, maternal and child health, and self help groups'.

364:
'Although requested at the site, no documentation or information on the five-year CSESMP mine reclamation program was ever provided to the Panel team'.

365:
'The Panel found little evidence that mine level staff had training and knowledge of soils and reclamation activities at the Parej East site.'

375:
'Despite persistent efforts by NGO's and the ESRP, the reclamation of mined land to a situation that would allow tribals to reuse land taken for mining, has not happened'.

429:
'The Panel found no evidence to indicate, apart from being interviewed for the Baseline Survey, the PAPS were consulted in the preparation of the Parej East RAP itself'.

446:
'The Panel notes Management's view that consultation with local NGOs was to be undertaken exclusively with the implementing NGOs, but also observes that in Parej East the implementing NGO, XISS (employed only in March 1997), was located in Ranchi, and could not be considered a local NGO until it set up an office in Parej East only in July 1997. It is evident therefore that, prior to mid 1997, any consultation the borrower may have had with XISS did not constitute consultation with a local Parej East NGO. It is also worth noting that since XISS was contracted by CCL it was accountable to the subsidiary that employed it. In the Panel's view, it is at best not clear how this arrangement could serve to discharge Management's obligation to ensure consultation with local NGOs acting on behalf of the PAPS, rather than on behalf of CCL. At worst, it places the implementing NGO in a serious conflict of interest, the results of which the Panel itself had an opportunity to witness'.

Outcome of the Inspection Panel Report

The Inspection Panel gave compliance approval on six counts. It gave non-compliance on thirty one counts, as well as raising a number of 'serious questions'. In response to these negative marks, the bank management classified twenty-five as 'No Action to be Taken', and nine were classified as 'Continuing Supervision'.[Box 15.1]. [16]

An NGO in Europe, FoodFirst Information and Action Network (FIAN), has brought out a pamphlet illustrative of these various issues and the response of the Bank.[17]

Some issues, such as legal titles given for house resettlement, were never resolved. In spite of the Bank's continued efforts, the issue ended up unresolved in the legal department of the central government. The request by NGOs for an Independent Monitoring Panel was not accepted.

Gap between Ground Reality and the Bank's Planning

> Management's failure to ensure that the original Resettlement Action Plan (RAP) reflected reality on the ground resulted in many problems.[18]

While proclaiming 'poverty alleviation', the Bank's funding of twenty-four large opencast coal mines for mechanisation has led to the retrenchment of 87,000 mine workers, and the new jobs in the mines in neighbouring Orissa have been contracted out with less job security. Despite Bank claims to have introduced best international practices, it made no efforts to press the Government of India to ratify the International Labour Organization (ILO) convention on health and safety in mines.[19]

To coal mine a village, its lands and commons, and expect a mitigation project like the Coal Sector Environmental and Social Mitigation Project (CSESMP) to compensate for the destruction of the life-giving natural resource base of the village, is to be out of contact with what is happening on the ground.

The Panel recorded that this project was one of the *most-supervised World Bank projects* ever. The Bank undertook twenty-one supervision missions between 1996 and 2001. However, the Panel found that 'the supervision team's knowledge of ground realities was limited, and for that reason, their efforts to resolve problems had virtually no impact on the ground'.[20] The Bank seemed to indulge in 'check-box' appraisal and supervision of its loans. NGOs claimed very early in the process that the Bank's stress was on 'input indicators',[21] ignoring 'output indicators' which measure the broader results achieved through a project or programme.

Broken Commitments

The Social and Environmental Impact Assessment (on the basis of which the project is approved) gives an unambiguous commitment to reclamation of mined land.[22] Yet, CCL's senior mine management made it clear to the Inspection Panel that they had no intention of reclaiming the land for post-mining use,[23] nor was the Inspection Panel able to find any evidence of such reclamation.[24] This demonstrates the hard reality of the gap between commitments made by CIL and the Bank at the planning stage (to get Project approval), and the reality during implementation. This raises questions about the credibility of such commitments in other contexts. It also begs the question regarding why there is no possibility of a legal challenge to such breaking of commitments.

The Use of Heavy Oversell, Exaggerated Claims in Planning Documents

The project demonstrates the inflated, unfounded or partly true claims, not grounded on facts that form an important part of project planning. Examples are as follows.

The Bank's Staff Appraisal Report of April 1996 stated that 'implementation of the Environmental and Social Mitigation Project will safeguard the rehabilitation of 9,260 people and the proper resettlement of about 10,000 people. The implementation of the Indigenous Peoples Development Plans will improve the lives of about 186,000 people, of which 56,900 would be tribals'. A basic defect in the project is that from the beginning there has been heavy 'oversell' of its capabilities. Such oversell is found often in the Planning documents,[25] appearing to exaggerate the value of the project in the hope that the Board would approve it. Such exaggeration, when accepted, has allowed the mining to go ahead, with the goals of environmental and social rehabilitation virtually impossible to achieve.

Another example is the claim for post-mine reclamation in the Environmental Management Plan for the Parej East mine. This suggested that only about half of the 253 hectare mine area would be reclaimed for agricultural land after mining, while the rest would be left to fill up with water. This water, it was argued, 'will help the local population, as a source for irrigation, drinking or industrial demand'.[26] The Panel concluded, however, that the water would be inaccessible, as it would be 'tens of meters below the surrounding countryside and separated from it by vertical quarry rock faces'.[27] It would be very costly to pump it for irrigation and impossible to use for drinking as it would be poisoned by contact with coal seams.

Yet another example is the formation of the IPDP, one for each mine. In the IPDPs of different projects, 'the whole of chapters 4 to 8 (of the IPDP) are all repeated verbatim', the claim of 'felt needs' of widely divergent villages are all the same, with no location-specific information.[28] The consultancy has done 'cut and paste' for different mines—all this presented to the Bank, and accepted by it, as competent consultancy. The Bank then covered this up by firmly claiming that the IPDPs had been formulated with due consultations etc.[29]

Transparency, Consultation and Misrepresentation

In the section on consultation,[30] the Inspection Panel makes it clear that requisite consultations have been either by-passed or passed off with mere information disclosure.[31] The claims by management of fulfilment of consultation requirements[32] collapsed under the scrutiny of the Inspection Panel. Failures in consultation were cited in regards to the IPDP,[33] the EAP,[34] the RAP,[35] the host community[36] and with NGOs.[37] The issue here is not consultation, but the issue is the Bank's misrepresentation—falsely claiming these consultations were being done.

The Panel notes that many of the villagers participated in a baseline survey. 'But beyond these interviews, there is nothing to indicate that the PAPs in Parej East were systematically informed and consulted during preparation of the resettlement plan about their options and rights' (as is called for in the Bank's Involuntary Resettlement policy).[38]

The Panel found 'no evidence' that documents such as the Sectoral Environmental Impact Assessment were available to local NGOs for their review. The Bank claimed that the report of the mid-term review of the project could not be released unless authorised by CIL.

A local Public Information Centre was established, but suffered from a number of flaws:

- Documents can only be consulted when supervisory (Coal India) staff are present and it is not possible to study documents in private or photocopy them.
- The Panel expressed surprise that 'despite the low levels of literacy among PAPs, all information in the Centre is in technical written documents. The Panel was surprised to see no pamphlets, or simplified informational materials, or sketches, photographs or visual materials to depict the Project, its sequence and effect on people'.[39]
- The Inspection Panel also noted that 'the location of the Centre in the office of the Resettlement and Rehabilitation Officer, in the gated CCL mine Headquarters' compound, does nothing to facilitate information being provided "in a timely manner and in a form that is meaningful for, and accessible to, the groups being consulted", as required by the Bank's Environmental Assessment Operational Directive. On the contrary, for poor, vulnerable and now dependent people, it is clearly intimidating to approach an office in that location, let alone walk in and freely request information, register complaints and engage in dialogue'.[40]

Questions Raised by the CSRP

To what degree is the Bank committed to following its own Operational Directives?[41] Or, conversely, will the Bank withdraw from a project because circumstances make it impossible to follow its directives? The CSESMP has provided a situation where it is clear that the operational directives could not be implemented; for example, Indian land legislation which made it impossible to give the required recognition to customary held land. Yet, the Bank went ahead. Here we are not referring merely to lapses in implementation of the operational directives, but to predictable and foreseeable impossibility of their being implemented. To what degree are Operational Directives binding on the Bank?

Why can the Bank not hear what civil society is saying? The Bank often professes willingness and desire to listen to what 'civil society' has to say. In this project, there was a long extended dialogue between the Bank and NGOs prior to its approval. During this dialogue, the very issues now raised by the Inspection Panel after the project had been raised by the NGOs before the project. The Bank went ahead—blindly? Is the Bank's particular development ideology the overriding factor which blinds it to other ground realities that do not fit in with this ideology? Further, a Bank's business is to give loans, as such it is under its own compulsion to encourage customers to submit projects for loans. Such a compulsion may help it to forge ahead in spite of questions about a project's appropriateness.

Questions Regarding Follow Up: The Panel recommends that the Bank make good its promise to continue monitoring the social issues after the project closes. However, the Inspection Panel Report is short on practical suggestions for remedial action. Nor are the Panel recommendations binding.

The Inspection Panel points to many areas where policy changes are needed. These may be changes in law, changes in formal CIL R&R policy or changes in current implementation of policies within CIL. (CIL already revised its R&R policy in 2000. This was done unilaterally without any process of consultation.) Open questions are:

1. Is CIL ready to institute policy changes through a process of consultation with the affected people and other stakeholders?
2. Is it ready to make policy changes that protect the PAPs in their right to full rehabilitation?

The World Bank's Action Plan: Regarding the 'time-bound action plan' for CIL to extend these social and environmental mitigation measures beyond the twenty-four supported mines [299, 480]:

- Where is this action plan publicly available?
- What indications are there of CIL's commitment to implement it? Again, this is a question first of full participatory disclosure, then secondly their meeting output indicators.

The Community Action Plan: Because Inspection Panel recommendations are not binding, NGOs, in consultation with the affected people, drew up an Action Plan which they wanted supported by Bank management. The Action Plan, agreed to by the displaced communities, sets out ways to address the livelihood restoration of the project-affected people. There was no response to the requests of this Action Plan.

The Bank formally closed the follow-up to the Inspection Panel report in 2007

Notes

1. Smitu Kothari, 'A Politico-History of the World Bank', presented at the Independent People's Tribunal on the World Bank, 2007. For the full presentation, see http://www.worldbanktribunal.org/kothari.html, accessed 1 October 2008. More information on the Inspection Panel can be found at http://web.worldbank.org/WBSITE/EXTERNAL/EXTI

NSPECTIONPANEL/0,,menuPK:64132057~pagePK:64130364~piPK:64132056~theSitePK:380794,00.html, accessed 1 October 2008.

2. See the World Bank project information page at http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P009979, accessed 1 October 2008.
3. World Bank, *Project Information Document*, Coal Sector Rehabilitation Project, Washington DC: The World Bank, 1997, http://web.worldbank.org/external/projects/main?menuPK=51447259&pagePK=51351007&piPK=64675967&theSitePK=40941&menuPK=64187510&searchMenuPK=51351213&theSitePK=40941&entityID=000178830_98101903312499&searchMenuPK=51351213&theSitePK=40941, accessed 21 August 2009.
4. 'One of the 10 environmental and social Safeguard Policies of the World Bank is used by the Bank to examine the potential environmental risks and benefits associated with Bank lending operations.' See http://www.worldbank.org/environmentalassessment, accessed 1 October 2008.
5. World Bank, *Project Information Document*.
6. World Bank, 'Management Response to the Inspection Panel', Request for Inspection (RQ01/2), 19 July 2001. Available at the World Bank website, http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/COALmgmtresponse.pdf, accessed 21 August 2009.
7. World Bank, *Implementation Completion Report*, Coal Sector Rehabilitation Project, Report No. 23743, Washington DC: The World Bank, 2002, pp. 10–11, http://go.worldbank.org/NNQ03TYCH0, accessed 21 August 2009.
8. http://www.worldbank.org/poverty/scapital/wkrppr/sciwp18.pdf, accessed 1 October 2008.
9. 'World Bank Operational Directive 4.20 calls for an IPDP to be completed for projects affecting indigenous groups. In projects involving involuntary resettlement of indigenous groups, the IPDP and Resettlement Plan (RP) can be prepared in tandem to ensure the IPDP fully reflects the mitigation measures included in the RP.' World Bank, *The Involuntary Resettlement Sourcebook*, Washington DC: The World Bank, 2004.
10. Significant among the NGOs were Chotanagpur Adivasi Sewa Samiti (CASS), Berne Declaration and Minewatch.
11. This timeline was submitted to the World Bank Inspection Panel in Washington DC as part of the request for inspection. The locally affected people made the request for inspection, through CASS. See Forest Peoples Programme, 'India Case Study', the case of East Parej Coal Mines Open Cast Project in Jharkland, presented at the workshop on Indigenous Peoples, the Extractive Industries and the World Bank, in Exeter College, University of Oxford, 14 and 15 April 2003, http://www.forestpeoples.org/documents/prv_sector/eir/eir_internat_wshop_india_case_eng_apr03.pdf, accessed 21 August 2009.
12. The request is documented on the World Bank's website. See http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/IndiaCoalRequest.pdf, accessed 1 October 2008.
13. The full Inspection Panel report can be found on the World Bank website. See http://web.worldbank.org/external/projects/main?menuPK=51521804&pagePK=51351007&piPK=64675967&theSitePK=40941&menuPK=64154159&searchMenuPK=51521793&theSitePK=40941&entityID=000160016_20030730172120&searchMenuPK=51521793&theSitePK=40941, accessed 1 October 2008.
14. Indigenous People's Development Plan.
15. Project-affected persons.

16. The nine issues with regard to which Management accepted the need to take action were: (*i*) Economic rehabilitation of seventy-three PAPs who experienced a decrease in income during the project period; (*ii*) Settlement of claims for PAPs cultivating land under customary tenure; (*iii*) Provision of long-term leases to PAPs for their house plots in the resettlement site; (*iv*) Disbursement of subsistence allowance fund by the Government of India; (*v*) Delivery of compensation and relocation entitlements; (*vi*) Water quality at the resettlement sites; (*vii*) Reclamation of mine land for agricultural use; (*viii*) Mechanisms for consultation and dissemination of project-related information to PAPs; and (*ix*) Constitution of an Independent Monitoring Panel. Details of what action was—or was not—taken can be found in World Bank, 'Coal Sector Environmental and Social Mitigation Project: Management Report on Status of Outstanding Issues following Inspection Panel Investigation Report and Management's Response', 2005, http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000112742_20050406154217&searchMenuPK=64187282&theSitePK=523679, accessed 1 October 2008.
17. See the report prepared by FIAN International, in collaboration with CASS, entitled 'No Action to be Taken: Tracking down the World Bank's Inspection Panel Report and Management Response, Coal Mining Project Parej-East, India', http://www.fian.org/resources/documents/others/no-action-to-be-taken/pdf, accessed 21 August 2009. See in particular from page 9 onwards.
18. Inspection Panel Report, *India: Coal Sector Environmental and Social Mitigation Project*, Washington DC: The World Bank, 3 December 2002, paragraph 13.
19. 'Mining: Blood on Coal', *Frontline*, Vol. 18, No. 13 23 June–6 July, 2001.
20. Inspection Panel Report, *India: Coal Sector Environmental and Social Mitigation Project*, paragraph 458.
21. Input indicators measure resources, both human and financial, devoted to a particular programme.
22. Inspection Panel Report, *India: Coal Sector Environmental and Social Mitigation Project*, Paragraph 354.
23. Ibid., paragraph 372.
24. Ibid., paragraphs 363 and 364.
25. Staff Appraisal Report, *India, Coal Sector Evironmental And Social Mitigation Project*, Report No. 15405-IN, Washington DC: The World Bank, 1996, 24 April 1996, Sections 1.8, 1.9, 2.2, and Box 2.1 http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1996/04/24/000009265_3961019191241/Rendered/PDF/multi0page.pdf, accessed 21 August 2009.
26. Bretton Woods Project, 'Complaints Panel Report Finds Social Problems in Coal India Mines', 23 December 2002, http://www.brettonwoodsproject.org/art-16076, accessed 22 August 2009.
27. Inspection Panel Report, *India: Coal Sector Environmental and Social Mitigation Project*, paragraph 357.
28. Ibid., paragraphs 311–13.
29. Ibid., paragraphs 328–30.
30. Ibid., paragraphs 410–48.
31. Ibid., paragraph 421.
32. Ibid., paragraph 412.

33. Ibid., paragraph 328–30.
34. Ibid., paragraph 424.
35. Ibid., paragraphs 429–34.
36. Ibid., paragraph 430.
37. Ibid., paragraph 441–48.
38. Bretton Woods Project, 'Complaints Panel Report Finds Social Problems in Coal India Mines'.
39. Ibid., paragraph 403.
40. Ibid., paragraph 408.
41. An operational directive refers to 'policies, procedures, and guidance' related to World Bank lending operations. World Bank, 'Disclosure Glossary', http://go.worldbank.org/M0FBB94S80. Originally intended for use within the Bank, they have been made public since March 1989. See Ibrahim F. I. Shihata, *The World Bank Legal Papers*, The Hague: Klewer Law International, 2000.

16

The Impacts of Hydropower and Failures of Redress

HIMANSHU THAKKAR

The Compliance Advisor Ombudsman (CAO) Office[1] aims to address complaints from those affected by International Finance Corporation (IFC)[2] or Multilateral Investment Guarantee Agency (MIGA)-sponsored projects, and to promote accountability within the IFC and the MIGA. The IFC and MIGA are private-sector divisions within the World Bank Group. As the CAO's name suggests, it seeks to perform three functions: (*i*) ensure that the IFC and the MIGA comply with the terms of the project agreements that they undertake; (*ii*) offer advice to those participating in specific projects; and (*iii*) operate as a complaints ombudsman, with the task of helping the parties to a dispute resolve their disagreement.

After the success story from Delhi[3] where the achievement was to stop a World Bank-sponsored project, what I am going to present is not such a success story. But it is a story of how the people of Himachal Pradesh campaigned and have been campaigning against a World Bank-funded 192-megawatt hydropower project at Allain and Duhangan. It is being funded by the IFC, the private-sector arm of the World Bank.

The project is on the Allain and Duhangan rivers that are both tributaries of the river Beas, which in turn is a tributary of the river Indus. There are to be three dam structures on the Allain and Duhangan streams, and the water from the Duhangan stream is to be totally[4] diverted to the Allain river. Both are then to pass through intermediate reservoirs and through underground tunnels, before reaching the power station. The water from the power station would then return to the Allain stream.

The IFC provided US$ 45 million (in the form of equity and debt) to the US$ 192 million cost of the project. In 2008, the IFC was considering further funding to the project. The company sponsored in this project by the IFC is Rajasthan Spinning and Weaving Mills Limited.[5]

The project will have a serious social and environmental impact on the villages in the project area, including Prini, Jagatsukh and other surrounding villages. The livelihood of local people will be seriously affected due to the diversion of the river (and the subsequent effect on the availability of water for drinking and for irrigation), the serious impact on apple cultivation[6] and other agriculture crops, the impact on tourism revenues[7] and due to the great cultural and religious significance the local people associate with the river. The affected people have been trying to resolve these problems through repeated requests, communications and meetings, but to date (September 2007) even an adequate Environment and Social Impact Assessment (ESIA) of the project has not been made available.[8]

The ESIA report prepared by the IFC to assess the project was fundamentally flawed, as shown in the letter from the affected people to the World Bank President, dated 21 May 2004. This is clearly in violation of IFC environmental and social norms. Some of the fundamental inadequacies of the project include: absence of a full social impact survey,[9] the absence of impact assessment due to crucial project components,[10] the absence of yearly impact assessment estimates,[11] the absence of an alternative options assessment,[12] bias towards the project in the ESIA right from the beginning, the absence of an impact assessment on cultural and religious places of the people,[13] the absence of a quantification and management plan assessing the impact on apple cultivation (this is the main source of cash income for the people), and on tourism, agriculture, water sources, grazing grounds, etc.

When relevant IFC staff were contacted, they responded by saying that the current ESIA is only a draft. However, that draft is fundamentally inadequate (as outlined earlier) and the IFC has yet to respond to all of the fundamental inadequacies of the project. And yet in a letter dated 23 August 2004 to SANDRP[14] and also in a letter dated 8 September 2004 to Kalpavriksh,[15] Shalabh Tandon, Senior Investment Officer, South Asia Region, IFC, says, 'The project sponsor has provided the IFC with all relevant information regarding the project and implemented consultation procedures in line with our requirements.' This (and also an article in *Business Standard*, 24 August 2004) gave rise to the suspicion that the IFC was about to push the project through the IFC Board without addressing our problems and concerns about the project.

Despite repeated requests (letters to IFC in May and July 2004, for example), the IFC has not changed the ESIA to address the fundamental inadequacies of the ESIA. The earliest letter with a detailed critique of the ESIA was sent in November 2003 (by SANDRP). As noted earlier, the ESIA Addendum dated September 2004 on the IFC website does not help bridge the fundamental inadequacies and incompleteness of the ESIA.

Other serious concerns include the fact that the Himalayan region is known to be geologically unstable and prone to erosion and landslides, and is an active seismic area. The 4.5-km-long tunnel will pass through the Jagatsukh village and we are particularly worried about its implications. The tunnel of the Malana Hydropower project, which was constructed by the same company in the same district, was known to have developed leakages, endangering the lives of the people living in the downstream areas. Neither the company nor the IFC, nor the ESIA consultants have done anything to address this serious concern. The IFC has claimed that a report has been done by international consultants on this issue, but that report is yet to be made available to the public despite repeated requests.

A further issue follows from the introduction of large numbers of outsiders into the villages, with the women in particular feeling that their security and privacy have been seriously affected. Women regularly go into the forests to collect herbs, grass, fodder; to graze cattle; and for other purposes. Many of them also stay for long periods of time in the forests and farms. There have been instances in other projects in surrounding areas where the safety of the women has been seriously affected. The Report of the Public Hearing notes that, 'This point about women's safety could not be adequately addressed by the Company or the Environmental Resource Management (ERM)[16] representatives.'[17]

The concerns raised over these issues have not been satisfactorily addressed by the company contracted to undertake the project, the consultants for the ESIA or the IFC, despite repeated reminders.[18] These and other problems have been supported by a number of reports, including some from the persons and committees appointed by the IFC. Some of these reports include: the report of the Kalpavriksh team after meetings in the affected villages on 1 May 2004;[19] the report of the Independent Panel that conducted public hearings on 20–21 May 2004;[20] the report of the visit by Harsh Mander to the affected villages in July 2004 on behalf of the IFC; and the letter from Kalpavriksh to the World Bank President dated 27 August 2004.[21]

I now want to look in greater detail at the struggles the local people had with the IFC. Soon after the first letter was sent to them on 30 October 2002, as I said earlier, on 13 November the IFC called a meeting of the people who had signed the letter from the village. First of all, they pressured the local people to say that they did not understand what was written in the letter, and that they did not write that letter. In fact, the IFC officials used various means—bribing, pressuring, threatening, and divide and rule—in an effort to have the people from the village withdraw their signatures from those letters that detailed complaints about the project. As an example of the type of tactics used by the IFC, consider the following: the village assembly of Jagatsukh village had not provided a No Objection Certificate (NOC) for the project, as is legally required under Himachal Pradesh law. In fact on 4 July 2004, the Jagatsukh village assembly unanimously passed a resolution rejecting the NOC to the project as claimed by the company and opposing the project. And yet the IFC has been claiming that the project has an NOC (IFC letter dated 12 December 2003). As per Himachal Pradesh law, the NOC is to be given by the village assembly and not by the village panchayat[22] headman. The company has claimed to the IFC that they have an NOC signed by a village headman in 1997. However, that NOC is invalid as an NOC is supposed to be given by the village assembly, and that assembly had rejected the NOC. In any case, the person who is supposed to have given the NOC in 1997 said publicly during the public hearing held on 6 January 2004 that the letter he gave in 1997 was not an NOC for the project.[23]

The villagers, with the help of others, including SANDRP, held strong and refused to give in to the pressures placed upon them; and so the IFC was forced to accept some of their complaints. Although this was a temporary victory for us as, for the first time the IFC accepted that the environment and social impact assessment was fundamentally flawed. They agreed to change it, but only ended up producing the still inadequate ESIA Addendum. We also said that there has been no consultation with the people, so they agreed to have a consultation. We said that the first priority of a consultation is to encourage informed participation: so we said the only way that informed consultation and participation are possible is for the whole of the ESIA, which is a 300-page document, to be translated into the local language and then made available to the local people. The IFC agreed to translate and then disseminate the document, something that had never happened in India before in projects with an ESIA component.

It is true that under pressure from the people's demands, two public hearings have been held so far. We then argued that at the public hearing the panel should not be made up of representatives from the companies involved in the project, or consultants, or World Bank officials. That is not acceptable because these are the interested parties. The people who should sit on the public hearing panel should be independent. The IFC agreed to the demand for independence on the panel, and an independent panel was then set up. People also demanded that the environmental and social impact of the project should also be explained to them through a credible and independent non-governmental organisation (NGO). They also agreed to that. Hence, a number of things were achieved because of the pressure applied by the people and not because of the World Bank's own goodwill.

However, neither of these public hearings was useful for providing us with an opportunity to make an informed opinion about the project. Before the 6 January 2004 public hearing, the people did not even have the ESIA in Hindi, the only language most of them can understand. On 20 May 2004, when the ESIA was made available in Hindi, people realised how inadequate those assessments were and made it clear to the project authorities in various ways that the current ESIA was totally inadequate for taking any decision about the project.[24] The affected people demanded that first, a full and proper ESIA—and not merely the inadequate ESIA Addendum that was produced—should be made available. They then insisted that a proper public hearing should be conducted where people can give their informed opinion about the project. Such a public hearing is yet to happen. Nonetheless, the people had learnt that the IFC was about to push the project through the Board for discussion and approval. This would be in violation of IFC policies, which require the IFC to give all affected people the chance to give their opinion about the project, its impacts and the management plan.

So, despite the concessions made by the IFC, the issues surrounding the project were not resolved because all the players involved were basically dishonest. The IFC paid some lip service because they saw that the people were raising real issues and they had to do something to make it seem as if they are trying to address them. The behaviour of the company, the IFC and the ESIA consultants with the village people for all of these months has been far from confidence inspiring. They have repeatedly gone back on their word, have cheated people, tried to pressure us in various ways and have misrepresented the concerns of the people. The bad experience of others who have suffered at the hands of the same company only adds to our concerns in this regard. The independent panels appointed by the IFC have supported most of these concerns.

After such intense involvement, but with little or no success, the SANDRP went to the office of the IFC, and then to the CAO office, which operates as an ombudsman and advises on complaints if there is a problem with the any IFC-funded project. A complaint by the affected people was submitted on 20 September 2004 when all attempts at communicating the issues to the IFC had failed.

The response from the CAO office has been most disappointing. They did not stop the project getting the approval of the World Bank Board, though the CAO office boasted that they could have done so. When the CAO officer visited the project, he spent more time with the project authorities; and when the need for meetings with the affected people came up, he said he did not have the time. He tried to ensure that those who were helping the affected people raise their issues with the IFC, the World Bank Board and the CAO office and elsewhere, were kept out of the picture, so that bulldozing the affected people with the agenda of the company would become easier. On 12 October 2004, in spite of our complaint to the CAO office, management approved the project. The CAO officials were present at the Board meeting where the project was approved. Actually the whole role played by the CAO office is unfortunate, for it is not working as a complaints ombudsman; rather it is working more as a pressure group to ensure that the World Bank and IFC projects go through. That is how it behaved throughout the process.

The Board of Directors of the IFC approved a loan investment of Rs 184 crore (US$ 40 million) in the form of loan and US$ 17 million in equity. This was the first ever funding for a large hydropower project by the IFC in India. This was the first funding by the World Bank for a dam-related project since 1989. After 1989, the World Bank did not dare to approve any dam or hydropower project in India. We know the reasons: because of agitations in the Narmada Valley and elsewhere. And it is very interesting that within weeks of the IFC Board's approval of the project, SN Power (a Norwegian company) entered into an agreement to invest 49 per cent equity in the project.

In the two years after the project had gone into implementation mode, there were 122 recorded violations. These included violations of the Environment Management Plan, the Environment Protection Act, the Forest Conservation Act and the people's rights. The Forest Department alone has fined the company carrying out the project

Rs 7 crore so far. Following these fines, we filed an Right to Information (RTI)[25] with the Ministry of Environment and Forests, asking how many times the company has been fined. We got the response in the form of a letter signed by the Principal Chief Conservator of Forests in Himachal Pradesh, which lists the details of the violations under the Forest Conservation Act, 1980. It lists the number of violations, what the violations amount to, how much compensation was paid, how much the company was fined and any other penalties that were applied against the operation of the project.

In 2008, new controversies arose. In early June, a truck carrying 65 tons of machinery for the project went over a bridge that has the capacity to carry only 15 tons. No permission was sought for this transport. The bridge collapsed, leading to damages of Rs 1.5 crore to the bridge alone, in addition to inconveniences to the local people. On 5 June 2008, the BBC World Service did a story on how a lot of Clean Development Mechanism projects are frauds and do not deserve carbon emission reduction credits.[26] The story included Allain Duhangan project, exposing its failings.

Earlier in 2007, the government of Himachal Pradesh instituted a committee to determine what violations had been occurring in this project. Sometime back the Chief Secretary's report said there had been very serious violations and the project should be stopped. They did not stop the project but ultimately the High Court (HC) did: the Himachal HC ordered the stoppage of work on the project for a few weeks in September 2007. It also ordered the company to ensure greater releases of water (which had been promised by the project), but the company said that if such water releases were done, then the project would become unviable; so it has decided to challenge the HC order in the Supreme Court.

And, after all of this, the World Bank continues funding the project.

Notes

1. The CAO website can be found at http://www.cao-ombudsman.org.
2. See http://www.ifc.org.
3. See the chapter by Arvind Kejrival (in this volume) concerning the attempted privatisation of Delhi's water services.
4. That is, almost all of the water from the Duhangan stream will be diverted as the little water that is to be released as per ESIA documents is not sufficient to take care of the (present and future) needs of the downstream communities and environment.
5. An overview of the project can be found on the IFC website, http://www.ifc.org/ifcext/spiwebsite1.nsf/1ca07340e47a35cd85256efb00700cee/19D3AFB26D254E0385256D7F0059E3BC, accessed 26 September 2008.
7. The ESIA Addendum of September 2004 gives a rather dismissive mention of this issue and ends by saying that the Project Company will consider any and all claims of the impact on crop production through the established grievances redressal mechanism (GRM). First, we have no faith in the proposed GRM where company officials are going

to be involved. From our past experience with the company, we do not think a body that has company officials on it. Second, without baseline information and a clearly defined compensatory plan, such statements have no value. Most importantly, the impacts are not going to be only due to dust from vehicular traffic and construction activity, as is made out in the ESIA Addendum, but the impacts are likely to be from the project itself.

7. The ESIA Addendum dated September 2004 claims that the dependence of the local population on employment in tourism-related business was not significant. This in fact only goes to show how unfounded the ESIA is. A very significant number of people in the area are dependent on tourism-related business for their livelihood and that would certainly be badly affected due to the project.
8. We have seen the ESIA dated May 2003, the revised ESIA dated December 2003 and ESIA Addendum dated September 2004, and what we write is applicable to all of these. All of the documents can be found on the IFC website, http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/ebdc4548b2ceace285256e1300663901?opendocument, accessed 26 September 2008.
9. Not yet done as per ESIA Addendum dated September 2004.
10. The ESIA Addendum agrees that assessment of impacts due to project components like some roads and transmission line is yet to be done.
11. The ESIA Addendum agrees that this is yet to be done for flora, fauna, fisheries and wildlife impacts.
12. The ESIA Addendum agrees that this is not done.
13. The ESIA Addendum does not have even what is important for us from a cultural and religious point of view and how important the Duhangan river is for us.
14. The South Asian Network on Dams, Rivers and People is a network of NGOs and individuals concerned with issues relating to the water sector. More information can be found at http://www.sandrp.in, accessed 26 September 2008.
15. The Kalpavriksha Environment Action Group was established in 1979 and works on environmental awareness, campaigns, litigation, research and other areas. More information can be found at http://www.kalpavriksh.org, accessed 26 September 2008.
16. ERM is a consultancy firm specialising in environmental issues. More information can be found at http://www.erm.com/erm/main.nsf/pages/homepage?opendocument, accessed 26 September 2008.
17. The only specific measure suggested by the ESIA Addendum dated September 2004 about this concern is the establishment of a police station at Prini village, which is clearly not going to help.
18. For example, we have noted that the project provides for a minimum water release of 150 l/s at all times and ESIA Addendum of September 2004 claims that this is more than adequate for the water requirements of downstream areas. This is clearly a wrong conclusion not founded on facts. The ESIA has not done a survey of the irrigated areas, cropping pattern and water requirements in various seasons and weather conditions, the drinking water requirements, the ecological needs of the river; nor has it projected these requirements for, say, five, ten or twenty years from now. Without such a survey and analysis, the needs of the communities living downstream cannot be assessed or provided for. In any case, the figure of 130 l/s as the requirement for irrigation is wrong and is a gross underestimate.
19. The Kalpavriksh report recommendations include, among others, 'that a fuller ESIA is

conducted *as a pre-requisite to consideration of funding of the project*. This should be based on data collected over a period of at least one year, and involving the local villagers more intensely. This should cover all the aspects raised by villagers above. This ESIA (*and not the current one*) should then be used to assess the irreversible impacts, the feasibility of available beneficial alternatives to the villagers, and the overall viability of the project. The ESIA needs to clearly highlight the impacts that cannot be ameliorated'; 'a study on the current and possible future requirements of water by the villagers (based on actual measurement of use and need) be carried out'; 'The project should proceed ahead only if there is full consent of the villagers at Jagatsukh, Prini, and other affected villages'; 'we would recommend that the public hearing be postponed till after at least these two steps are taken'; 'In the absence of a full ESIA, a full assessment of alternatives, the explicit written consent of the affected villages, and a credible plan for compliance, providing funds for the project would amount to a violation of basic ecological and social requirements'.

20. Some of the conclusions of the Independent Panel include: 'The company (along with ERM and IFC) should immediately respond comprehensively to the various issues relating to the ESIA report raised by the villagers and by SANDRP … for they are clearly those that have a significant influence on the thinking and behaviour of the villagers and, we dare say, on the viability and integrity of the project itself'; 'another public hearing might be organised only when there is confidence that workable and acceptable solutions have been found'; 'The company and the IFC must also differentiate between three types of gaps and infirmities in the ESIA documents: a. those that could have a bearing on the economic, social or ecological viability of the project. These must, obviously, be settled before the project is approved. b. Those that could have a bearing on the scope and design of the project, but not on its viability. These must be settled prior to project initiation'.
21. Reminding the World Bank president about the recommendations of the Kalpavriksh, the letter said, among other things, 'It would be unfortunate if after facilitating a process on public hearings, getting numerous pleas from the affected villagers and local NGOs, and getting independent and specific inputs and recommendations from organisations like Kalpavriksh, IFC was to go ahead with funding the project without implementing the recommendations. Such a step would question the very intentions behind carrying out the public hearings and seeking independent views.'
23. Panchayat refers to elected village-level body, a system of village government common throughout India.
23. The ESIA Addendum dated September 2004 does not even mention the unanimous resolution passed by Jagatsukh assembly on 4 July 2004 and only reiterates the misrepresentation about what the company claims to have received in 1997. In fact, the ESIA Addendum also misrepresents the report of the Independent Observer after his meetings in July 2004. The Independent Observer has clearly noted in his reports that, 'The villagers said that the NOC obtained from former Pradhan of village Jagatsukh does not have legal validity. In my meeting, he was present and he himself admitted that he did not consult either with the Panchayat or with the Gram Sabha.' Such misrepresentations only add to the distrust we have towards the company, the ESIA consultants and the IFC.
24. Since then we have seen the ESIA Addendum dated September 2004 and we do not think the Addendum in any way helps to make up for the inadequacies of the ESIA of May

2003 and Revised ESIA of December 2003.

25. The Right to Information Act 2005 permits citizens of India to retrieve documentation held by the central government and by the state governments. For more information, see http://righttoinformation.gov.in, accessed 26 September 2008.
    For criticisms of the World Bank's information disclosure policy, see the chapter by Nikhil Dey in this volume.
26. For details of this issue, see http://www.sandrp.in/hydropower/Allain_Duhangan.pdf, accessed 26 September 2008.

IV

India's Agrarian and Food Security Crises

17

The World Bank and Indian Agriculture

BHASKAR GOSWANI

India is one of the oldest members of the World Bank, having joined the institution in 1944. Within the World Bank's lending portfolio to various sectors in India, agriculture plays a significant part. Since 1949, the World Bank has funded 160 projects in agriculture (including irrigation projects), with a total lending of US$ 16,997.6 million. This constitutes 32.3 per cent of all projects and 24.4 per cent of the volume of lending.

The World Bank has influenced Indian agriculture, directly and indirectly, in a variety of ways. Mechanisms of direct influence at the state and national levels include special projects designed to change agricultural technologies, inputs pertaining to those technologies, and the institutions created (or dismantled) around agriculture. Dozens of irrigation projects funded by the World Bank have also had a direct influence on farming. Further, the World Bank can be said to have influenced Indian farming through special projects related to watershed development, in addition to particular sub-sectors such as dairy and sericulture. In terms of indirect influences, critical are structural adjustment/ (economic) restructuring projects in different states. The restructuring of the power and water sectors, which has been financed by the Bank, has also affected farming.

Some of the sectors of Indian agriculture that have been affected by the Bank's policies are summarised in the following.

Seeds

In India, the World Bank in collaboration with United States Agency for International Development (USAID) and the Rockefeller Foundation played a vital role in ushering in the Green Revolution. While this helped India achieve self-sufficiency in food grain production, it has also led to the creation of monocultures of wheat and paddy and a consequent loss of biodiversity. In 1963, the National Seed Corporation (NSC) was founded which led to massive imports of new high-yielding varieties. The NSC was the centre of seed production of breeder, foundation and certified seeds and their quality control.

In 1988, the World Bank brought in the National Seeds Project (III) with US$ 150 million, where the focus was to privatise the seed industry and to open India for multinational seed corporations. The growth of marketed seeds was the main objective of 'developing' the seed 'industry' because farmer-owned seeds do not generate growth in money terms. Thus, the World Bank's 1988 policy paved the way for the entry of international seed corporations. The production of breeder and foundation seeds was left to the state-owned NSC while private seed companies took over the certified seed market, thereby pushing up the cost of seeds for farmers.

Trade Liberalisation

In 1991, India faced an acute financial crisis and turned to the International Monetary Fund (IMF) and the World Bank to bail it out. Before the IMF and the World Bank agreed to provide the loans, they insisted on a wide-ranging structural adjustment programme (SAP).[1] As part of these reforms, India was required to make changes to its agricultural trade policy. Import licences were removed and tariffs were reduced.[2] Various licensing requirements, canalising imports, minimum export prices, etc., were removed. Policy reforms were also pushed through which substantially reduced the average and maximum levels of tariffs.

In 1997, the World Bank asserted the need for 'further trade liberalisation and de-regulation—going beyond the 1994 elimination of non-tariff barriers on edible oil imports'.[3] It also pushed for the instillation of World Trade Organization (WTO)–compliant tariffs, rules and regulations, and the removal of oilseeds from the application of the Essential Commodities Act.[4] In 2003, it reported with approval that the last of the remaining quantitative restrictions had been dismantled and that the weighted average tariff rate—across all sectors—had reduced from 35 per cent in 2001–2 to 29 per cent in 2002–3.[5]

The policy of encouraging imports into India is contemporary. The World Bank's most recent Country Assistance Strategy (CAS 2005–8) for India lists 'reducing average import tariffs and phas[ing] out tariff exemptions, specific tariffs and anti-dumping duties' as 'priority reforms'. Other priorities include the phasing out of foreign direct investment restrictions as well as price and marketing reforms for agricultural and agro-based products.[6]

The Indian Ministry of Finance notes that since 1991, customs tariffs have been in decline overall. Between 1990–91 and 2000–1, the customs duty collection rate (the import duty revenue divided by the value of imports) has declined from 47 per cent to 24 per cent.[7]

Price and Procurement Support Mechanism in Agriculture

In 1965, with the support of the World Bank, the government established the Food Corporation of India (FCI) which was responsible for procuring, storing and distributing foodstuff. Another body, the Agriculture Prices Commission (APC) (whose terms were revised and later renamed as the Commission for Agriculture Costs and Prices (CACP)) was also set up with World Bank's assistance. The CACP is responsible for fixing the minimum support price (MSP) for twenty-four commodities and statutory minimum price (SMP) for sugarcane. Farmers are given a set price for their produce that ensures production costs are covered.

From 1991 onwards, the World Bank's policies towards pricing and procurement began changing and it began recommending scrapping of the MSP and procurement by FCI, twin support mechanisms for farmers that the World Bank itself had help set up. Instead it recommended that private players ought to be allowed to procure directly from farmers and the rate be determined by the market.

Following these recommendations, the Inter Ministerial Task Force on Agricultural Marketing Reforms (2002) recommended that the Agriculture Produce Marketing Committee (APMC) Act be amended to allow for direct marketing and establishment of agricultural markets in the private and cooperative sectors. Similarly, the Milk and Milk Products Order (2002) was enacted to reform the dairy sector. The Essential Commodities Act (1955) was amended to allow storage and movement of commodities.

The impact of the subversion of the price and procurement machinery was witnessed in 2005–6 and 2006–7 when the government deliberately announced a lower MSP for wheat and failed to meet its procurement targets.

To be 'compatible with market economy principles', as desired by the World Bank, the government is also toying with the idea of issuing food stamps to below the poverty line (BPL) families, which will reduce the food subsidy bill. There is another proposal to replace the Public Distribution System (PDS) with direct cash payments to poor families. To reduce storage costs, the government is considering playing in the futures market in the months when it needs food grains for running the PDS—there would be no need for an MSP in such a case. The warehousing system is also being privatised. Recommendations of the consultancy firm McKinsey hired by the Food Ministry are already being implemented and FCI's capital costs have been reduced, workforce slashed, minimum buffer stock for rice lowered, and private companies engaged in procurement.[8]

In addition to food grains, these policy reforms are already having an impact on several commodities. For instance, the World Bank's recommendations to reform the procurement mechanism of cotton in Maharashtra led to disastrous consequences.[9]

In 2002, the World Bank came out with a blueprint for 'reforming' the economy of Maharashtra, titled 'Maharashtra: Reorienting Government to Facilitate Growth and Eradicate Poverty'. It recommended disbanding of the Maharashtra State Cooperative Cotton Marketing Federation and reducing power subsidies.

The Maharashtra government followed these recommendations and opened up cotton procurement by private traders. It also cut down the staff at the Cotton Federation by 80 per cent. On account of a simultaneous reduction in cotton import duty, cotton prices in domestic markets fell. This, in combination with the growing number of private cotton growers who manipulated both the grade and the weight of cotton, resulted in farmers getting a price that was a fraction of what the Cotton Federation paid them.

Similarly, following the World Bank's recommendations played a critical role in finishing off self-sufficiency in edible oils. The Oilseed Technology Mission saw oilseed production in India grow from 11 million tonnes in 1986–87 to 22 million tonnes in 1994–95.[10] At this point, India was almost self sufficient in both oilseeds and edible oils.[11]

During the 1990s, the World Bank asserted that notwithstanding India's improved production rates, it did not enjoy a 'comparative advantage' over production trends in the United States and the European Union, and should therefore become an importer of edible oils. This assertion was made notwithstanding the fact that even before US agricultural subsidies are taken into account, a tonne of Indian oilseed sold at the same price as it cost US farmers to produce the same amount.[12]

Under pressure from the World Bank, in line with its structural adjustment programme, India began the liberalisation of edible oil imports in 1994–95. In April 1994, edible vegetable palm oil imports were placed under Open General Licence (OGL).[13] During this time, Malaysia, Indonesia and Brazil were preparing to flood the Indian market with palm and soya oil.[14] In 1995, all edible oils except coconut oil, palm kernel oil, RBD[15] palm oil and RBD palm stearin were placed under OGL. Import tariffs on these and other edible oils were progressively reduced. While the tariff for palm oil was 65 per cent in 1994, it reached 15 per cent in July 1998.[16]

After 1999, the Indian government attempted to protect the edible oil sector by increasing tariffs but the damage had already been done. However, in 2006, import tariffs for edible oils were reduced three times. The 4 per cent customs duty for edible oil was removed from the 2007 budget, the tax on sunflower oil was reduced by 15 per cent and the tariff on refined and crude palm oil by 10 per cent.[17] Due to the high substitutability of imported oils, lower tariffs on select items will impact the import of other oils even where relatively high tariff protections are in place.

On account of these reforms, India imported 17.5 lakh tonnes of edible oils in 1996–97. In 2004–5, this figure climbed to 46.3 lakh tonnes[18] and cost the country US$ 3.2 billion.[19] In 2006, India was the world's largest importer of edible oils[20] with imports comprising almost 63 per cent of its requirement.[21] The objectives of increased production and self-sufficiency upon which the Oilseed Technology Mission were based have been conclusively rejected.

Similar experiences have been recorded in the cases of dairy and plantation crops, where following the World Bank's recommendations on liberalising the economy has impacted livelihoods of millions of farmers.

Diversification from Food Grains to Cash Crops

Like most of its projects, the push for cash crops has been cloaked in poverty-alleviation rhetoric. According to the World Bank, the goal in employing cash crops is to '"broaden farmers' rights and opportunities, and to help them create livelihoods of their own choice", beyond the "single option" of subsistence'.[22] Of course, many would ask why cash crops are such an issue with activists if they are providing farmers with greater income, more options and a better livelihood.

Targeting small farmers to switch over to cash crops exposes them to price volatility. Additionally, cash crops are known to cause the most severe destruction of the natural resource base, as seen across various states of our country. However, the World Bank continues to impose this policy on farmers.

The Indian government has supported the World Bank's push for cash crops in India by encouraging farmers to make the switch to cash crops such as tobacco, cotton and castor seed.[23] They literally advised farmers to make the switch despite evidence from other countries (i.e., Mexico) that commercial farming has led to a deterioration of livelihood for farmers. Most farmers, lacking knowledge of the global market or the market forces against which they are expected to contend, made the switch based on the advice of government officials (people they believed they could trust). The advice was so flawed that Rajesekhara Reddy of the National Human Rights Commission (NHRC) argued that the government declare a violation of human rights of farmers on account of bad governance.[24] The World Bank initiates the bad governance; it 'mandates debtor nations to shift agricultural production toward cash crops for export, liberalise agricultural trade, and remove public subsidies for staple food production'.[25]

However, despite the negative effects, in 2007 the World Bank released a report entitled *A Case Study of India's Horticulture: Fom Competition at Home to Competing Abroad*.[26] In this report, the World Bank suggests that India has 'huge export potential' but only if it can tackle some of its internal problems. The World Bank suggests that quality standards, inefficient productivity and the high cost of delivery keep India's cash crops uncompetitive internationally. Since loan conditions and agreements are not made public, the World Bank's reports are usually indicative of what changes are required by the borrowing government.

The World Bank also recommended removing subsidies in agriculture and instead using these funds for infrastructure development in rural areas. It is not a coincidence that the Indian government is recognising the same problems as are being identified by the World Bank. The Tenth Five Year Plan emphasised the need for storage and transportation infrastructure, so as to reduce post-harvest costs.[27]

The US$ 250 million National Agriculture Innovation Project, which is currently being implemented, also strives to push for greater integration with markets through promotion of cash crops. The general objective of the project is to 'contribute to the sustainable transformation of Indian agricultural sector from food self-sufficiency to a market orientation in support of poverty alleviation and income generation'.[28] Thus, the World Bank is pushing India away from the path of food sufficiency towards a food workshop for the developed world. Given the millions of food-insecure people in the country, this has serious implications for both food as well as political sovereignty of the country.

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18

The World Bank and its Impact on Food Security

UTSA PATNAIK

I think most people are still perhaps a little puzzled about why the World Bank and other financial institutions should be held responsible for India's agricultural depression and the acute crisis in certain areas, such as farmer suicides. They say, 'but the World Bank has been giving billions of dollars in aid for specific projects, for eradicating poverty, for the upliftment of the poor. How can you possibly say that it is World Bank policies which are responsible?' This emanates not only from those who are themselves directly associated with the World Bank and its projects but also from a number of well-intentioned non-governmental organisations (NGOs) who, I think, still cannot simply see the connections.

I will just spend a short time in saying some things which will be obvious to many of you but may not be all that clear to others: the difference between money lending and other kinds of activities.

In the Indian village, we have been familiar for centuries with the 'good old' or 'bad old' *sahukar*. The sahukar is the moneylender. Sometimes he is a pure sahukar, sometimes he is also a trader, and that is exactly the case with the international financial institutions (IFIs). The best way of understanding them and their operations is to think of them as basically being gigantic sahukars, undertaking money-lending activities on a huge scale running into billions and billions of dollars. But the basic modus operandi and the effects of their activities are exactly the same as that of the humble village sahukar. Why is that?

The reason at bottom is very simple. We can have a very complex set of explanations but all complex explanations can be simplified down to certain basic elements. The basic element of the difference between a sahukar (or a moneylender) and somebody who engages in productive activity is the following. A person who engages in productive activity is interested in the incomes of his customers enlarging. He is interested in a high level of economic activity, which means that the demand for products is growing. A person who engages in productive activities in a capitalist society very seldom does it on the basis of his own capital, but rather on the basis of capital borrowed from the banking system.

If I am a manufacturing capitalist or any other capitalist who is producing something and I am borrowing money from a bank, then I want interest rates to be low. Particularly I want the real interest rates to be low. That is, the nominal interest rate adjusted for the rate of inflation should be low so that I do not have a very high cost of borrowing money.

The objective interests of the sahukar and of the IFIs are exactly the opposite of the objective interests of those who engaged in productive activity. How does a sahukar make his money? He does not engage in any productivity activity at all. He makes his money from money. You lend money; you get back more money. That is how sahukars make their money. They are absolutely disinterested in the question of improving production, in the whole question of material production. The activity circuit of the capitalist producer is C-M-C', the sale of produced output C on the market for money revenue M which then is spent again on purchasing inputs for the next period's production and on necessary consumption of labour, with C' exceeding C and representing profit. The activity circuit of the moneylender, however, is simply M-M', with M' exceeding M and representing interest income.

All the sahukars are interested in is getting money out of people who are engaged themselves in material production. What maximises a sahukar's income? His objective is exactly the opposite of that of the producer. He does not want low real rates of interest but high real rates of interest. What is a high real rate of interest? Supposing the nominal rate of interest is 5 per cent, but at the same time the inflation rate is also 5 per cent. Then, the real rate of interest will be zero. The interest of sahukars is always to target inflation to reduce the inflation rate to the lowest possible level. In this way they maintain high real returns from their money capital and high real value of their financial assets. Inflation targeting is an obsession with them. There is an insensate obsessive focus on inflation targeting, as far as the sahukars are concerned, as far as the IFIs are concerned.

In any economy which is developing, which is expanding, where the government is taking a role in productive investment and in development expenditures, there is bound to be a certain tendency towards inflation. With a high level of activity, employment will be expanding, those getting incomes will demand basic necessities but the supply of these, especially food grains, may not expand fast enough. In fact, in capitalist economies, inflation in output prices provides a stimulus very often to the capitalist to invest. Of course, the inflation should not get out of hand to the extent that it hurts unorganised labour, and it definitely should not become hyperinflation, but a certain moderate rate of inflation is not at all abnormal in an expanding economy. But as far as the sahukars are concerned, they cannot tolerate even a 3–4 per cent rate of inflation.

You will have noticed how our entire media, our entire press too have become inflation-obsessed. They are forever talking about the weekly rate of inflation, the monthly rate of inflation, the quarterly rate of inflation going above 4.5 or 5 per cent. Fifteen years ago when we were still a developing economy, a rate of inflation of 8 to 9 per cent was not considered that abnormal. This obsession with inflation has come with the hold of the IFIs and their economic policies on the minds of our policymakers and our media pundits.

How do the IFIs, including the World Bank, control inflation? Simple, reduce the level of economic activity. That is, governments are advised to cut back on expenditures. The World Bank does not tell the government to cut back specifically on public investment, cut back on such and such social expenditures. But in practice that is what happens. We have had thirty years of documentation of the impact of World Bank/International Monetary Fund (IMF) policies in Latin America, in Sub-Saharan African and for the last fifteen years in India, which shows that it is the same policy package which is advised in country after country. An IMF study quoted in the edited volume by Cornia, Jolly and Stewart, *Adjustment with a Human Face*,[1] shows that in seventy-eight countries under Fund-guided 'structural adjustment', the following policies were followed:

	Per cent of 78 countries following policy
1. Restraint on central government expenditure	91
2. Limits on credit expansion from the banking system	99
3. Reduction in ratio of budget deficit to GDP	83
4. Wage restraint (bashing the unions)	65
5. Exchange rate policy (Devaluation)	54

This is the package of policies which have been followed in country after country, and it is well documented in the World Bank and IMF studies themselves. The package is a strongly expenditure-deflating, activity-reducing package.

When governments cut back on development expenditures as advised by the World Bank and IMF, then what happens? The level of activity in the economy necessarily has to go down; the rate of growth of the material productive sectors goes down. However, when we say that this is happening in our country, many people are not convinced. They say, 'but the government is saying that the rate of growth is 7 or 8 per cent. We are soon going to touch 10 per cent per annum'. What has been happening is a phenomenal expansion of the non-material productive sectors, that is, of services; but if you look at the productive sectors, then our agriculture is in deep depression. The rate of growth of crop production halved during the 1990s compared to the 1980s. The manufacturing sector's growth rate for a long time was fairly low and its contribution to the gross domestic product (GDP) has been stagnant. Its share of total employment in the economy has been going down. The only thing which has been growing really fast for the last fifteen years is services.

I focus mainly on the agricultural sector because it is something very serious, affecting seven-tenths of our population. The impact on food security in our country has been utterly disastrous and there is no sign, whatsoever, that our government has woken up to its own responsibilities. It still does not own responsibility for bringing about agricultural depression and agrarian crisis in different parts of the country. It is still proceeding with wrong economic policies, which are making the problem worse. If we look at what has been happening to development expenditures and agriculture, then there is absolutely no doubt about the phenomenally deflationary impact of government cutback on productive expenditures.

In the pre-reform period during the Seventh Plan, between 1985 and 1990, about 4 per cent of our net national product (NNP) was being spent every year on rural development expenditures, which is still very low considering that agriculture and rural areas generally supported 70 per cent of our population. But that meagre 4 per cent was slashed to 2.6 per cent by the middle of the 1990s. By 2001, it had been reduced further to 1.9 per cent of NNP.[2]

While we were much richer economy by the beginning of this century, the government was spending proportionately much less on rural development, even though this is the most important productive sector of the economy. Of course, the deceleration in public investment in agriculture is something which has been written about extensively and is very well known. It started even before the reforms and it accelerated during the economic reforms. The whole idea was that if government withdraws from public investment, it will open up space for private investment. This entire World Bank package of policies is based on a logically completely erroneous theory which was discredited by John Maynard Keynes and his pupil Richard Kahn, more than seventy years ago and which has been banished from the textbooks ever since. That theory is a pre-Keynesian theory that says if government spends more, then private investment will go down. That is a theory from the 1920s and you find the same idea being articulated by the World Bank economists today, that public expenditure crowds out private investment.

Again and again they repeat the same logically completely untenable proposition which necessarily has to assume that there is full employment in the economy. Because only if there is full employment of labour and resources and there is no scope for increasing your national income, can you say that there is a fixed pool of savings such that if government spends more, other people will spend less. But is the assumption of full employment a valid one for Third World countries? Is it a valid one for India today? Of course not.

It is amazing that this unbelievably infantile level of theory continues to be propagated by the World Bank and by the IMF economists, and they simply do not learn even after thirty years when a mountain of evidence has accumulated in their own reports regarding the adverse impact of these policies. Of course they are propagating logically incorrect theories because they are global sahukars. These theories help them to pursue their aims, but it has a disastrous impact on the material productive sectors of the economy.

In a poor country, roughly about 70 per cent of the nutritional intake in the form of energy requirement of consumers in villages and of poor consumers in cities living in the slums comes from the cereals and pulses, which are the cheapest source of energy intake as well as of protein. What is happening to food grains production is of very vital importance in poor developing countries and that is where the World Bank policies have had the hardest impact. They have had an impact in a whole lot of other areas as well, but this is an area which affects the actual living standards of very poor populations and which is pushing them down to below-subsistence level.

In our agriculture from 1991 onwards, the attack has come both on the supply side and on the demand side. What I mean by this is that as government has cut back on investment in agriculture, of which irrigation investment is a very important component, the growth rate of material production of the food grains as well as the non-food grains has been sharply reduced. The annual rate of food grains output growth was 2.8 per cent during the 1980s but it declined to only 1.7 per cent per annum during the 1990s, and fell below the population growth rate in India for the first time ever since the mid-1960s' crisis. In the present century up to 2005–6, the food grains growth rate has collapsed to 0.34 per cent.[3]

All through the 1990s the per capita food grains output in India has been falling, and this is something which I anticipated and to which I have repeatedly drawn attention since the early 1990s.[4] The other component of this decline in food grains output growth rates has been area diversion to exports, again as part of the entire World Bank/IMF set of policies. The agricultural sector has been opened up to global trade in the sense of the earlier quantitative restrictions and other measures such as canalisation, regulation of how much could be exported and imported, keeping in view the requirements of domestic consumers and producers, were given up and it was a kind of free for all: export from agriculture as much as you want without any let or hindrance.

The moment our lands are opened up to the demand pull from advanced countries, there will be diversion to export crops at the expense of food grains. We know historically that under the colonial system our lands were forced to specialise towards the export crops which today's advanced countries demanded. They were not advanced then; they became advanced on the basis of transfers of commodities from colonised countries like ours. Growing exports mean a very sharp fall in the per capita availability of food grains for the domestic population. We have the series by George Blyn[5] and we have the series from the work of S. Sivasubramonian,[6] which show a very well-documented decline in per capita food grains output and availability in British India, from 200 kg annual average in the year 1900 to 136 kg by the year 1946. That is the lowest we have ever gone, 136 kg per capita per annum availability. That is roughly the availability that a lot of sub-Saharan African countries have by now owing to their export thrust and resulting fall in food staples output, and they are perpetually on the verge of famine. A little shock to the system and they have to go with begging bowls to advanced countries; but usually food aid is not enough and so people actually starve.

With the experience of falling grain output per head in the colonial period, after independence food security was given a lot of importance by our planners, and quite rightly so. Planners like Prasanta Mahalanobis had seen and documented the great

Bengal Famine of 1943–44 in which over 3 million people perished, and they were very clear that we had to give high priority to food security. Admittedly, we did not have food security in the full sense because it means not only increasing the supply of food grains, but it also means undertaking sufficiently effective land reform and other measures which will put purchasing power in the hands of the poor to an adequate extent. That did not happen. Our land reforms were abandoned halfway or even quarter-way I would say, but nevertheless, even the emphasis on production was very valuable.

India's per capita food grains production rose very slowly from a low level of around 152/153 kg in the first plan period over the next four decades. The maximum we reached was 182 kg in the early 1990s. Then it started declining as Fund- and Bank-guided economic reforms started taking effect. By now it is less than 165 kg per head.[7] That is the per capita output, the supply side which has been hit by the World Bank which directly advised public development expenditure reduction, and of course rural India has been a soft target for such reduction.

On the demand side, the impact has been even more severe because when the government cut back on its development expenditures, through multiplier effects, incomes have gone down by a much larger extent than the initial cut in rural India, and unemployment has risen. Depression in the level of economic activity means growing unemployment, growing lack of purchasing power; this collapse of purchasing power has been spectacular in rural India. By July 2002, 64 million tonne of food grain stocks had built up in the Food Corporation of India, 40 million tonne in excess of the normal level for that kind of year.[8] Where were these 40 million tonne coming from? They were coming out of more and more empty stomachs as purchasing power collapsed, both in rural India and in urban slums as a direct result of the cutback in development expenditures which was and continues to be advised by the World Bank and other IFIs, no matter how much unemployment and hunger increase. The demand for food grains fell to 155 kg per head by 2004, below the level over sixty years earlier.[9]

I regard the World Bank and IMF economists as economic criminals. So, when, after the formation of the UPA government in 2004, our Planning Commission set up certain advisory groups which included economists from the World Bank and people from the corporate sector in advanced countries, some of us said that we will not sit with these people around the same table. We were told, 'no, no … you can influence them.' I said, 'no, I am sorry. As long as they stick to the same policies, they are economic criminals, they are directly responsible for the collapse of food security in our country, they are responsible for increasing hunger.' Of course they are not solely responsible. Our servile government which has completely accepted the policies of the global sahukars and which has no regard for the welfare of its own citizens is also responsible. But certainly there is no question of sitting around the same table with World Bank economists. First, they have to admit that they are responsible for it and they have to reverse their policies; but, of course, neither the government nor the World Bank has done that.

The solution is very simple as far as the agrarian depression is concerned. I have not touched upon farmer suicides at all because all of you probably know that the reason for the farmer suicide. I look at it this way: there is a pervasive agricultural depression in every part of the country, without exception. Per capita incomes in agriculture continue to go down, but there are particular pockets of extreme crisis in Vidharbha in Maharashtra, in Andhra Pradesh, in Wayanad in Kerala, in Punjab, and so on. And why do we have these pockets of extreme crisis which have seen thousands of farmer suicides driven by hopeless indebtedness? This is due to the policy of unwise trade liberalisation from 1997 at a time when global prices were crashing, so our farmers were exposed to them. At the same time, the input costs were going up, credit costs were going up, and output prices were crashing. They were caught in a death trap. Whatever they had borrowed in order to expand export crop production in cotton, pepper, coffee, and so on, they were unable to repay. Our farmers are poor; they do not have holding capacity beyond two or three years. That is the maximum they can last out. After that there is despair and many thousands die by their own hands. The moneylenders are pressing for repayment, high interest rates of 36–60 per cent per annum mean that the principal is doubled in less than three years, and there is no way out because prices are not rising, input costs are not falling and the government has withdrawn support. That is why we see the historically unprecedented situation of farmer suicides. I do not think there are any records even in colonial India of such thousands of farmer suicides. It is a disgrace which has been happening in this country.

The solution to all this is a simple: reverse the policies which have led to this. Increase public development expenditures. For that, of course, the first requirement is to scrap the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2004, which is an act to strangle our producers, especially the small producers in agriculture. Scrapping it should be the demand of all progressive movements and forces. Without that we cannot proceed because now the government is legally bound to reduce expenditures. In fact, the then Finance Minister P. Chidambaram proudly announced in his budget speech in 2007 that the target for reduction of fiscal deficit to GDP has been exceeded.[10] The target was 3.8 per cent, we reduced it to 3.7 per cent from over 6 per cent a few years ago; by 2008 it was further reduced to 2.3 per cent.[11]

Secondly, implement the National Rural Employment Guarantee Programme (NREGP) sincerely. What has the finance minister done? Several dozen new districts have been notified for the NREG Act to be implemented, but the then Finance Minister P. Chidambaram has cut the allocation to the NREGP from Rs 12,900 crore last year to Rs 12,000 crore in 2006.[12] What kind of hypocrisy is this? On the one hand, it is said that the NREG would be spread wider but the ministry is actually cutting funding and there is no circular, no directive from the government telling the district collectors that they have to implement this on a on a priority basis. The government is not seriously interested in implementing it because it is following the deflationary dogmas of the IFIs, in particular the World Bank.

Indian poverty estimates are a scandal. Our Planning Commission has been working very closely with the World Bank economists to produce spurious poverty estimates. It is saying that poverty is declining when exactly the opposite is the case. In the 61st round of the National Sample Survey for the year 2004–5, the nutrition data (released in May 2007) shows that 87 per cent of the rural population has gone below the government's own nutrition norm, the recommended daily allowance of 2,400 calories, compared to 75 per cent in 1993–94. As much as 70 per cent of the rural population by 2004–5 could not spend enough to reach 2,200 calories' daily intake, compared to 58.5 per cent in 1993–94 (2,200 calories is the government's actually applied nutrition norm, which it applied only once, back in 1973–74). It is clear that undernutrition has increased greatly during the period of Fund- and Bank-guided reforms, which is to be expected, given rising unemployment and falling per head food grains absorption.

Yet, the government's current 2004–5 rural poverty estimate is 28 per cent, showing a reduction from 37 per cent in 1993–94. How long do they think that they can fool people by doing statistical manipulation? The manipulation they have been doing is of the following kind. After applying the nutrition norm only once, in 1973–74, they then quietly stopped applying their own nutrition norm to determine what percentage of persons cannot access it, and for three decades have been simply applying a price index to the original 1973–74 rural poverty line which was Rs 49 per month. This does not capture the rise in the actual cost of living and has resulted in lower and lower poverty lines over time at which less and less consumption can be accessed—only 1,800 calories per day were obtainable at this price-index adjusted all-India official poverty line by 2004–5, which is far below the recommended dietary allowance of 2,400 calories. Not only calorie intake but also real spending on clothes and other necessities is lower at their current poverty lines compared to a decade earlier and much lower than three decades earlier. The 'decline in poverty' claimed is spurious and not real because you cannot validly compare the percentage of people below a consumption standard over time, while lowering the standard itself. They may as well claim a large reduction in the percentage of failures in a board examination over time while quietly reducing the pass mark substantially over the same period.

The current official rural poverty line for 2004–5 is Rs 356 per month, or just below Rs 12 a day (about US 30 cents). Just ask yourself: is it possible for any individual, even in a village, to meet all minimum costs of food, clothing, fuel, transport, health and education with Rs 12 a day? This sum would barely have bought 1 kg of the coarsest rice in the market and would not have bought even a single two-litre bottle of drinking water. I can make poverty in rural India disappear tomorrow if I manipulate the poverty line to a low enough level. If I reduced it to Rs 9 a day, the all-India poverty ratio will drop to only around 10 per cent. That is actually the case in a state like Andhra Pradesh where by 2004–5 less than 1,600 calories daily were accessible at the official state poverty line, and on this basis it was claimed that only 11 per cent of persons were in poverty. These Planning Commission and World Bank poverty estimates by now are not measuring poverty, but destitution.

It is about time that people raised their voices against these statistical procedures which violate all academic values. The World Bank's one dollar a day poverty line (at present US$ 1.08 a day) is based on the grossly underestimated local currency poverty lines of countries like India, and its contention that Asian poverty has declined is equally spurious. Asian countries under economic reforms have seen substantial rise in food insecurity and poverty, not decline. It is obvious that the World Bank has a vested interest in claiming success for its policies which have actually worsened the lot of ordinary people.

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19

Financial Liberalisation and the Agrarian Crisis

C. P. CHANDRASEKHAR

In this article I intend to discuss, within the larger issue of agrarian crisis in India, the provision of credit to rural areas and how this has changed since the 1980s. We know now that this area of World Bank and International Monetary Fund (IMF) influence is very important. In the 1960s and 1970s, when the World Bank and IMF had instigated conventional stabilisation and structural adjustment programmes in developing countries, one thing which was not really spoken of or emphasised at all was the reform of the financial sector.

The procedure followed at that point of time was a combination of currency devaluation (which is supposed to trigger an improvement in balance of payments by increasing exports and reducing imports) along with a curtailment of government expenditure by curtailing central bank credit to the government. It was expected that such measures will stabilise economies in the sense of reducing their consumption of foreign exchange, in other words reducing their import bill. The intent was to actually reduce the rate of growth of the system because these were contractionary policies.

Once stabilisation was achieved, it was expected that the economies, over a period of time, will be able to adjust, to earn more revenues in foreign exchange, and will be able to revive. The adjustment was supposed to be the outcome of a range of processes including decontrol and deregulation of various kinds, thus ensuring that no attempt is made to use protection for suppressing balance of payment problems. You therefore expect some kind of a J-Curve phenomenon. That was the conventional stabilisation and structural adjustment policy at the centre of which was the famous Polak Model.[1] The financial programming which the Polak model was concerned with was not financial liberalisation at all. It was really concerned with using monetary policy, in particular credit from the central bank to the government, as a way of actually deflating the system in order to ensure, what they consider, an equilibrium.

In contrast, we observe a shift in emphasis after the rise of finance, internationally, and the growing dominance of very mobile finance capital. Policies, of course, continue to encourage private capital in general through measures like import liberalisation, privatisation, etc, which obviously benefited transnational funds and other corporations in the real sector. In addition to these, the policies of the World Bank and IMF favour financial liberalisation. In fact, now financial sector adjustment programmes are specifically targeted for funding both by the World Bank and IMF because the understanding is that unless you reform the financial sector you would not be able to generate the kind of allocation of investment, the kind of efficiency which they speak of as required by these countries to restore a significant rate of growth.[2]

Now what does this financial liberalisation involve? Financial liberalisation, like all liberalisation, involves a substantial degree of decontrol and deregulation of financial markets in order to allow the emergence of what are considered universal banks. These are banks which are not just banks, but they are banks, they are insurance companies, they are merchant banks. That is, they operate across the financial sector. You combine that kind of an ability to straddle different segments of the financial sector with two things. First, of course a far greater degree of freedom in terms of the choice of instruments they have both from the point of view of mobilising resources. For example, you have derivatives of the kind that have led up to the subprime loan crisis in the United States, and we also have those kinds of derivatives in India. And second, you offer a far greater degree of freedom in terms of the investment destinations that financial firms can choose.

This combination of a far greater degree of freedom in terms of mobilising financial resources for onward lending or investment combined with a far greater degree of freedom from the point of view of what kind of investments you could make was to be accompanied by a degree of regulatory forbearance. The whole idea of having regulatory agencies, either the central bank itself for the banking sector, regulatory agencies for the stock market, or regulatory agencies for the insurance sector, was that you wanted there to be a far greater degree of regulatory forbearance in all of these areas. This was in order for the banks to have the freedom and the flexibility to compete in a situation where entry was much freer. They could therefore increase or improve the allocation of investment so that the overall productive capacity generated within the system would be more efficient. That was their understanding.[3]

Normally when people look at this whole process, they do generally look at the kind of fragility which is generated by a process of financial liberalisation and there is strong reason for that. We know for example that what we've had over the last two decades is really a series of periodic financial crises. They were there in Latin America starting with the Mexican debt crisis as far back as 1982, but then we had crisis in a large of number of Latin American countries. Then it came to East Asia, to Turkey, it went back to Brazil, Argentina, Russia and so on. So there is a substantial degree of fragility, which this process of financial sector reform introduces and that matters. It matters because even if you look at evidence produced by the World Bank or IMF's Independent Evaluation Group, and you look at what has happened to growth and poverty rates just before and after a crisis, the impact is extremely damaging even in terms of their figures. Most people would argue that these figures are very conservative from the point of view of actually estimating the impact of crisis of this kind.

For example, poverty in Mexico went up from 23 per cent prior to the 1995 crisis to about 29 per cent afterwards. In Argentina poverty increased from 37 per cent to 58 per cent, in Korea from 11.4 per cent to 23.2 per cent. This is really one year before the crisis and one year after the crisis. You are talking about a doubling or in some cases more than doubling of poverty rates. Added to this, gross domestic product (GDP) actually collapses. Because you have negative growth rates of GDP, concerns about the impact that financial liberalisation has on the fragility of financial sectors is understandable because this does not remain purely a currency crisis or financial crisis. It impinges on the real sector; it affects real sector growth. And obviously finally what it does is it exacerbates poverty and it does so in countries where the proportion of the population living at the margins of subsistence is extremely large. Therefore you are talking about a devastating impact on the population.

In addition to this periodic onslaught in economies which supposedly now are doing much better in terms of rates of growth than before the age of global finance, there is a more fundamental, chronic and insidious way in which the process of financial liberalisation encouraged by the World Bank and IMF effect the process of development.

If you look at all instances of late development in general and late industrialisation in particular, you will find a high degree of financial regulation. The United States, for example, had one of the most regulated financial systems in the world, particularly after the wave of financial crisis they had prior to the 1930s. Therefore, starting from the Glass-Steagall Act of 1934, the US had one of the most regulated systems right up to the 1980s. Therefore, the current system is not an American, liberalised Anglo-Saxon model of the financial sector, which has existed always. It really is something which emerged post the 1980s.

Now if you look at all of these instances, what you had was the utilisation of the financial sector as an instrumentality to do two kinds of things. First, it was an instrumentality to try and overcome the difficulties that countries have in trying to accelerate the rate of growth when they happen to be at the subordinate end of the unequal international division of labour. That is what countries like Germany and Japan did; they used the financial sector to target credit. These countries used a differential interest rate in order to pump prime the system in a way which does not only involve large expenditures by the state, which of course they also used.

Second, they used the financial sector to try and make this growth more inclusive. The thinking was that if you let markets decide where resources are going to flow, you would end up with a situation in which there would be disparities between regions and sectors, between rural and urban, between agriculture and industry, between richer provinces and poorer provinces. Of course the poorer groups income-wise would get left out of this process. Therefore what you tried to do was to actually use the financial sector as an instrumentality in order to be able to direct credit at very low or subsidised interest rates in order to bring regions, sectors, segments of the population into what was predominantly a market driven system. It was an effort to bring those who would otherwise be marginalised by the process of capitalist development into the process to a certain extent. What financial liberalisation does is that it completely destroys this framework.

One of the countries which was tremendously successful on this front was India after the nationalisation of the major banks in 1969. If you look at the evidence on the movement of the formal banking system into the rural areas, at the allocation of credit to the agricultural sector from the formal banking system, at the allocation of credit to poorer states and poorer sections of the population, it shows that between 1969 and 1980–85 we saw a dramatic transition which occurred in terms of the use of the financial sector as an instrumentality to make growth not completely but at least a little more inclusive. All of that evidence has been correlated many times over and is easily available.

Now what financial liberalisation does is that it completely damages this; it undermines this, and not because the financial sector does not want to be in the rural areas. They do want to be in the rural areas because there is money to be made in the rural areas. They do want systems of agency banking in which they use all kinds of non-bank financial institutions including micro-finance institutions. Now even moneylenders are going to be used as agents of the formal banking system in order to provide credit. These forms of credit will be profitable but are not credit of a kind which reflects the use of the financial sector as an instrumentality to make the process of development more inclusive.

I will conclude with some numbers to illustrate for you how this impact has unfolded in the Indian context. Let's first take the growth rate of credit supply. If you take the period of 1974–75 to 1979–80, you actually had a situation where the rate of growth of credit to agriculture was more than 20 per cent per annum compound. Between 1980–81 and 1989–90 this came down to 8.7 per cent. During the 1990s right up to 1999–2000 it came down to 1.8 percent. You had a collapse in the rate of growth of credit to agriculture from more than 20 per cent to less than 2 per cent over the period prior to 1980 through the 1980s and then through the 1990s. But did it stop there? No, it didn't.

What you actually see is now a complete reversal. If you look at the period 2000 to 2005 you are taking about a return to a 20 per cent rate of growth. But we should be careful. Are we talking about a return to the glorious periods when the banks were nationalised or are we talking about something else? To clarify, we need to look at two kinds of credit. This is the way the Reserve Bank of India (RBI) looks at it. One is called 'direct finance to agriculture' the other is 'indirect finance'. Indirect finance basically consists of all kinds of finance which goes to institutions that are supposed to indirectly affect productive activity in the rural areas. This includes things like the Rural Infrastructure Development Fund (RIDF),[4] the big transnational seed companies, and companies selling agricultural machinery. All of this is treated as priority agricultural sector credit. While direct finance has undergone a collapse from 23 per cent to about 1.5 per cent and then has come up to a certain extent to about 15 per cent, indirect finance has seen a different trajectory. After coming down to 3.5 per cent in 1990s, it is today standing at a 33 per cent rate of growth. There is a huge increase in indirect finance which is occurring.

Now if you look at the incremental credit supply, what you actually find is two things. One is a huge increase in credit supply in the form of personal loans. If you look at the personal loan segment, you not only have an increase in the amount of loans, but you have primarily an increase in the amount of loans being given to large borrowers. If you look at loans above 10 crores which have been given in the rural areas, they are not going to small or medium farmers. These loans from 10 to 25 crores and above in the RBI classification stood at 3 per cent of total loans provided in the period prior to 1985. After adjusting for prices, what we find is that 3 per cent has now become 20 per cent by 2005. That is, you are having a huge increase in these large 10 crores loans and above which are going into the rural areas and of course most of these go to those who own large plots of land. In the RBI definition, large cultivators are those who have more than 5 acres but I am sure that if you had a more detailed breakdown, you'd really be getting into a far higher degree of concentration of credit. Finally, if you look at the role of personal loans, you are really talking about something like 45 per cent of indirect finance today going as personal loans in the rural areas.

In sum what is happening? This process of restructuring the financial sector in the image of the so called efficient Anglo-Saxon model has completely devastated or undermined whatever gains we had made during the period from 1969 to 1980. But we should not be under the mistaken impression that there is no credit flow into rural India. There is credit flow into rural India but it is a restructured credit. It is a credit which goes in large sums to large players, to nonproductive activities very often, and as I said something like 43 per cent is in the form of personal loans to large borrowers who use it for real estate speculation and so on. And as we watch the process of private capital entering into the rural areas through land acquisition, we will begin to see dramatic increases in the flow of credit to the rural areas, which actually would simultaneously mean a huge exclusion and marginalisation of those which the system tried to bring in and succeeded to a certain extent during the period from 1969 to 1980.

Notes

1. The model developed within the International Monetary Fund by Jacques J. Polak, who was the director of the IMF's Research Department from 1958 to 1979.
2. The influence of the World Bank on financial liberalisation in India, like elsewhere, has come in the form of policy advice and through project specific lending. The 'External Sector and Investment Liberalisation Program Project' in 1993, which closely followed the

key World Bank funded structural adjustment loan of 1991, assisted India in liberalising its financial sector. See http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P009907, accessed 16 June 2008. On the research and policy side, there are no shortages of reports citing the benefits of financial liberalisation. The South Asia Regional summary of the 2004 Global Development Finance, 'Harnessing Cyclical Gains for Development' comments that 'the global economic environment affecting capital flows to developing countries improved in 2000' and that 'capital account liberalisation in India will contribute to future growth', http://siteresources.worldbank.org/GDFINT2004/Regional%20Fact%20Sheets/20192897/summary-SA.pdf, accessed 16 June 2008.

3. A World Bank report of 1999 begins by stating: 'India stands on the cusp of the millennium, having largely completed a first phase of financial sector reforms and in need of a second phase to meet some remaining and new challenges. The first phase—liberalisation of interest rate and directed credit—began in the early 1990s, hand-in-hand with real sector deregulation. With prices in the real economy reflecting economic costs more closely and with greater reliance on the private sector, it naturally became important to move from a financial system that was largely an arm of public finance carrying out centralised, directed credit allocations to a system where financial institutions played a much greater role in allocating resources based on their evaluation of risk and return. Cross-country evidence suggests that the new approach should contribute to faster overall development.' James A. Hanson, Senior Financial Policy Advisor, the World Bank and Sanjay Kathuria, Senior Economist, the World Bank, 'India's Financial System: The Challenges of Reform', 1999, http://info.worldbank.org/etools/docs/library/157056/nbfi-india/pdf/hanson_kathuria.pdf, accessed 16 June 2008.
4. RIDF is a central government program introduced in 1995 to provide funds for the development of large rural infrastructure projects.

20

The Exit from Agriculture

DEVINDER SHARMA

On the topic of agriculture, in 1995 the World Bank said in a meeting that by the year 2015 it expected that the number of people who would be migrating from the rural to the urban areas in India would be equal to twice the combined population of UK, France and Germany.[1] At that time, the combined population of UK, France and Germany was about 200 million. I took this statement to be a warning that we should improve our policies so that this does not happen. But what happened instead was a feeling that this migration must take place.

What has been discussed in the *World Development Report 2008* is more or less an exit policy for farmers from agriculture. In this report, the World Bank has clearly stated that now is the time for farmers to leave agriculture and migrate to the cities to work.[2] For the last twenty years this has been going on and the focus of the World Bank is clear. If we look at it in historical perspective, it is not simply a matter of twenty years; it began with the Green Revolution. The current agriculture reforms have been built on a foundation which had been laid down earlier, and this exit strategy is merely an extension of that earlier foundation.

If you look at agricultural research, the World Bank does not act in isolation. It works in collaboration with the other international financial institutions (IFIs), the Consultative Group on International Agricultural Research (CGIAR) and with the agro-business companies. It is all a package and until the time we understand the whole package, we will not be able to define it properly. It is not only the policies of the World Bank that are the core issue. It is a matter of agricultural policies being drafted at a global level. The World Bank, of course, plays a very important role in implementing these policies.

Very early on the British realised that if they were to rule the country they had to change the education system of the land. This holds true on agriculture too, because agricultural universities have changed the mindset of how agriculture in practised in India. We adopted the land-grant system of the United States, under which we created infrastructure for agricultural extension and research. The foundation for agriculture was laid in such a manner that you had to follow that very model in order to develop agriculture. That meant that you have to go by the sophisticated agricultural technology used in the United States.

I believe that the suicides committed by the farmers in India are directly related to these policies. It is usually said that suicides take place due to growing indebtedness, and under this situation, farmers have no option but to commit suicide. But if you look more closely, you will find that the policies imposed on the country are responsible for the suicides of these farmers. When the Green Revolution took place, we were asked to use chemical fertilisers and pesticides. Water guzzling crops were needed because one had to increase production. That model is the main reason for the suicides committed by our farmers.

The Green Revolution has now collapsed. This means that the natural resource base of agriculture has also collapsed. It is not capable of producing as much as it used to. India was led to adopt an industrial model of agriculture in order to benefit multinational corporations, chiefly the seeds, fertiliser and pesticide companies. We are now witnessing fallout of this flawed model whereby farmers are being made to bear the losses. From the first Green Revolution, India is moving to the second Green Revolution, which in effect will aggravate the agrarian crisis.

There are new aspects to this second phase. What happened in agricultural reforms after 1991[3] was basically the same as had already taken place in Latin America. The first condition was to diversify agriculture. Whenever you receive a structural adjustment loan from the World Bank, there is always one common condition: you will diversify your agriculture from staple foods to cash crops. The second condition is that you will bring in market-oriented approaches whereby the government's safety net, or procurement system, will be withdrawn or scaled down. The private sector will instead take over this role. The third condition is that you will encourage contract farming or corporate agriculture, and in this way the economic viability of the farmer will grow. Finally, you will stress trade-oriented agriculture. This policy condition asks you to lower tariffs, remove subsidies and lay stress on intellectual property rights. Before 1991, they focused on the privatisation of agriculture. We know that in India, if the seed sector goes into someone's hands, the whole food chain is under their control. The World Bank has tried through the National Seed Projects (NSP) I and II to privatise this sector. Intellectual property rights and genetically modified crops are all part of this same process, and India has covered a lot of ground in these areas.

We all know about the impact of fertilisers, pesticides and water on agriculture. If we study the main points of the current agricultural reforms, then we see that whatever policies Dr Montek Singh Ahluwalia[4] and successive Prime Ministers since 1991 proposed are basically drawn from World Bank documents. Ahluwalia says that agricultural subsidies in India are an inefficient way of giving money to the farmers, so this support should be withdrawn. He feels that the indirect subsidies provided to agriculture in India should be removed and they should be utilised for rural infrastructure development.[5] This is exactly what has been said by the World Bank. In one meeting in Germany, in which Utsa Patnaik and I were present, the World Bank stated very clearly that the direct subsidies given to farmers by the rich countries are correct and acceptable, but the indirect subsidies given in India, by way of cheaper fertilisers, cheaper pesticides and cheaper water, are trade distorting.[6] Therefore, according to the World Bank, subsidies in Europe are justified as they do not distort trade but subsidies in developing countries, like India, are trade distorting and should be removed. They were asked that if this is true, then they should indicate what type of subsidies should be given to farmers in developing countries. They replied that the World Bank studies show that instead of giving subsidies, if you invest the same amount in rural infrastructure, then it will result in economic growth. My question was that if rural infrastructure is the basis for economic growth and that the subsidies should be diverted towards it, then why do the European Union and the United States give subsidies to their farmers? In these countries, where rural infrastructure already exists, everyone owns a computer, has road facilities, electricity connection, how can you justify subsidies? Their reply was that it was lunchtime and they would talk about it later.

The former Chief Economist of the World Bank, Nicholas Stern, said, 'I agree that the kind of subsidies that are provided to farmers in USA is a sin. But it will be a recipe for disaster if the developing countries don't open up their markets and remove their trade barriers. Then we will be back to square one.' This means that US policies are right and need not be changed. We, on the other hand, have to change our agriculture.

Diversification of agriculture is a common condition for the World Bank loans of the last thirty years. The move from staple food to cash crops first started in Latin America. They grew strawberries, watermelon, etc., and as a result Latin America has become by and large a food-importing continent. If you leave out Brazil and Argentina, the truth is that Latin America today imports staple food and exports strawberries, watermelons and cut flowers. Importing food is importing unemployment. For Latin American countries this has been a path to disaster. Now they are reversing this approach and the political system is orienting itself towards a socialist pattern. However, the same disastrous system is being followed in India. Diversification of agriculture has become a kind of *mantra* in India. If you go to any university, they will tell you that agriculture needs to be diversified. We should grow cut flowers, tomatoes, peas, flowers, strawberries and sunflowers, which can be exported.

The argument is that you export, get paid in dollars and then use the proceeds to import food. This is the same policy which we followed before independence. The Vice Chancellor of Punjab Agricultural University, Ludhiana, was ordered to state the benefits of the World Bank to the agriculture of Punjab. He was asked by the chief minister to produce a report overnight. At night all the economists sat together and presented a report in the morning in which they wrote that due to the IFIs, agriculture in Punjab will gain because plane-loads of cash crops will be exported and planes filled with dollars will fly into Punjab. Twenty years have passed since this, and I am not sure how many dollars have come to our country as a result. But our mindset is that whatever model the United States follows is right for us too.

Take the case of contract farming. This is the model which failed in Latin America and Africa. Whenever any company comes to grow anything, it never grows pulses or fodder; it grows crops which fetch a higher income, that is, a cash crop. Since most cash crops are input-intensive, they end up harming the environment. This is what I call modern 'jhum cultivation'. When our tribes used to practice it, it was said to be environmentally unsound. When the companies do it and render the land infertile and return it to the farmers, it is termed economically sound. In fact the model of contract farming is so intensive that the water requirement increases up to twenty times. The requirement for chemical inputs increases by fifteen to twenty times. Yet contract farming is being encouraged, saying that it will help increase the economic viability of the farmer.

Forty years have passed since the green revolution was launched. According to the data of the National Sample Survey Organisation (NSSO), in 2003–4 the average monthly income of farmers in India was Rs 2,115 on which an average rural household size of five has to survive. The model green revolution is practised across the globe, and the World Bank and our economic policymakers are aware of this. Despite this 'economically viable' model, income of farmers the world over has fallen as this model requires a lot of investment. In America, Europe, Japan, Germany, for the last twenty years, output price for farm commodities has remained static. This means that when you adjust for inflation, the farmer is getting the same price that he was getting twenty years back. That is an indicator that the entire model of agriculture promoted by the World Bank has failed. No wonder the rich countries have no choice but to provide direct income support to farmers.

During the past hundred years the United States has actually pushed 27 million people out of agriculture. Today we too in India are pushing our farmers out of agriculture, through special economic zones (SEZs), or forcible agriculture land acquisition, or other policies which force farmers to migrate. An NSSO study says that 42 per cent of farmers would quit agriculture if given a choice.[7] It is very clear that the whole focus, as shown by the World Development Report, is to remove people from agriculture. Somehow the feeling is that the model which will promote growth globally is one in which farmers should stop practising agriculture. But we forget that the agriculture of the United States and India are entirely different from each other.

I conducted a survey in 2002 of how many people were left in US agriculture. I found out that the number was 9 lakh. In 2004 I came to know that the number was 7 lakh. You may be surprised to know that there are 70 lakh people in the US in jail, on bail or on parole. I do not know why we want to adopt this model. In India it is said that when retail marketing and corporate agriculture begin, the farmer will become prosperous. But if it is true, then why this did not happen in the US and Europe?

There is future trading in agriculture commodities in the US. There is the Walmart, a retail giant, and contract farming is practised routinely in the US. The government does not purchase agricultural commodities, the private companies do. Still the farmers are leaving agriculture, and the ones farming have to do so with huge subsidies. The main reason behind this is that globally income from agriculture is going down. In 1995, a farmer used to earn 70 cents of every dollar of his produce.[8] In 2005, this came down to 4 cents. The United States realised that as a result of economic reforms the farmers were being pauperised. That is why it still continues to provide direct income support to those farming communities.

The Indian government and the World Bank are going to follow the same model of agriculture in India. Future trading in agriculture commodities has been permitted in India. It is being discussed that all trade borders should be opened because there is a need to save efficient farmers. In this entire model that we are adopting, only one thing is missing: we are not talking of giving our farmers direct income support. This is the only way to save our farmers from the situation in which Abhimanyu[9] was standing.

The new model of agriculture and the current economic policies regarding seed, pesticides and fertilisers are intended to remove the farmers from agriculture. This process has started. This was evident in the Vision 2020 programme of Andhra Pradesh.[10] Chandrababu Naidu[11] said we did not need more than 40 per cent of our farmers, and now Prime Minister Manmohan Singh says that we need only 30 per cent of our farmers. Indian agriculture is failing; is there no alternative? Many people have established that we do not require these current policies, that agriculture is sustainable and economically viable. There are actually sustainable and economically viable alternative models that are already available in the country and are being practised by hundreds and thousands of farmers but nobody wants to talk about it. Why? Because there are no bribes involved.

Notes

1. Conference organised by the M. S. Swaminathan Research Foundation, Chennai, 1995.
2. World Bank, *World Bank Development Report 2008: Agriculture for Development*, Washington DC: The World Bank, 2007, see particularly Chapters 9 and 10 for a discussion of rural migration to non-farm employment, http://go.worldbank.org/ZJIAOSUFU0, accessed 16 June 2008.
3. India's World Bank Structural Adjustment Loan was approved in December 1991.
4. Deputy Chairman, Planning Commission, Government of India, 2004 to present. He was the Secretary, Department of Economic Affairs, Ministry of Finance, at the time of the World Bank 1991 Structural Adjustment Loan and has been a key player, along with current Prime Minister Manmohan Singh, in India's neo-liberal economic reforms since the 1980s.

5. 'Ahluwalia echoes World Bank's line', 31 January 2005, http://www.indiatogether.org/2005/jan/dsh-prebudget.htm, accessed 16 September 2009. See also Montek S. Ahluwalia, 'State Level Performance Under Economic Reforms in India' paper presented at the Conference on Indian Economic Prospects: Advancing Policy Reform, Centre for Research on Economic Development and Policy Reform, Stanford University, May 2000, http://planningcommission.gov.in/aboutus/speech/spemsa/msa007.pdf, accessed 4 November 2009.
6. Government of Germany, 3rd International Conference on Policies against Hunger, Berlin, October 2004.
7. National Sample Survey Organisation, *Some Aspects of Farming*, Report No. 496, New Delhi: Government of India, 2003.
8. Duncan Green, 'Conspiracy of Silence: Old and New Directions on Commodities', Oxfam briefing papers, January 2005.
9. Abhimanyu is a tragic hero in the Hindu epic, the Mahabharata, who despite his valour was trapped inside a maze-like battle formation and was unable to escape.
10. A state programme funded by the Department for International Development (DfID) and the World Bank, the Vision 2020 document was written by McKinsey & Company in 1998 and was widely criticised by small farmers for export-led growth and diversification out of agriculture, as well as introduction of genetically modified crops and increased fertiliser and pesticide use.
11. Chief minister of Andhra Pradesh (1998–2004) and the founder of Heritage foods, one of the largest companies in southern India with milk, retail and agriculture divisions.

21

Targeting, Exclusion and Food

BIRAJ PATNAIK[1]

Linking food policies with the World Bank prescriptions is difficult because there is little documented evidence which directly illustrates how Bank policies impact governance in India. However, while interfacing with the government and with various groups, it becomes obvious in my work that the influence of the Bank is completely disproportionate to any role that it has had either in terms of funding or in terms of contribution in any way to that particular sector.

When considering the World Bank's impact on food policies in India, it is important to look at two sectors: the Universal Public Distribution System (PDS) and the Integrated Child Development Scheme (ICDS). I will start by discussing the PDS and then move on to the ICDS. The PDS has been absolutely vital in India. It was founded in 1939, and in 1942 the basic principles were laid down.[2] In 1943 the PDS was extended to all urban areas and in 1965 (post independence) the Agricultural Prices Commission[3] and the Food Corporation of India (FCI)[4] were initiated. This was significant because it essentially linked the PDS to procurement.

It is important to understand that in India there is one set of people who cannot afford food grains and are given food grains at a subsidised rate. There is another set of people who grow food grains in food grain-surplus states and it was important for the government to step in and put in place a mechanism to control prices.

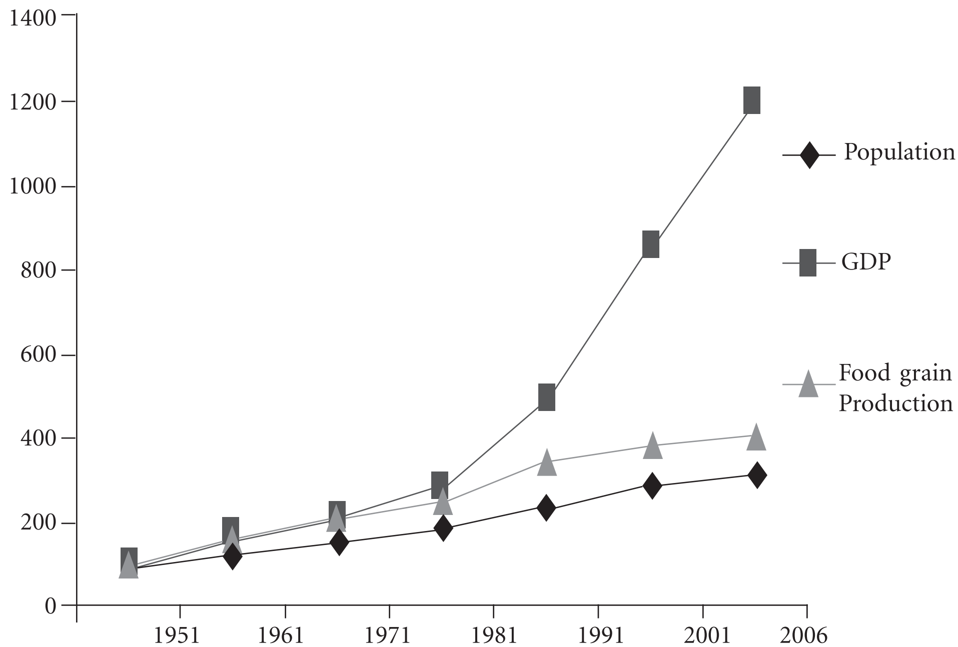
Therefore, the PDS was not just about providing subsidised grains. It was also about price control and providing minimum remunerative support prices to farmers. Otherwise the market would ensure that when there was a glut, post-harvest prices would go down and in the months that followed, prices would go up. Both the farmer and the consumer would get adversely affected. In 1982, the PDS was made part of the Twenty Point Programme (TPP).[5] In 1984, the Ministry of Food and Civil Supplies was formed and in 1992 the Revamped Public Distribution System (RPDS)[6] was initiated which distributed family cards.

In 1997, the Targeted PDS was introduced with reforms enforced by the World Bank. Before 1997, if you were poor, it did not matter whether you were above or below the poverty line because the poverty line was a concept that was introduced with the Targeted PDS. Before 1997 there was a Universal PDS.

The Universal PDS gave every citizen of India access to the same entitlement of food grains from the entire PDS system. In 1997, it was changed to a targeted distribution system which meant that only the poor would receive food grains at subsidised rates and the Government of India (GoI) would decide who qualifies as poor. State governments were set to the task of deciding the number of people who were poor and drafting lists of these people. These lists came to be known as the below the poverty line (BPL) lists, and there has been a steady decline in the number of names on the lists since they were first drafted in 1997.[7]

Overall, if you look at the situation (see Figure 21.1) from 1951 to 2006, food grain production after the 1970s kept pace with population growth and with gross domestic product (GDP). However, after 1981 there was a sharp increase in the GDP. In the last five years, India has averaged almost 8 per cent growth. Food grain production has not kept pace with the growth of GDP because a large share of GDP is now outside the agricultural sector. A buffer stock of grains is the amount of grains kept by a country in case of any exigency (war, major pest epidemic or other type of disaster). By 2001 India's buffer stock had amassed to 61.7 million metric tons.

Figure 21.1 Population, GDP and Food Grain Production



Source: *Economic Survey*, various years.

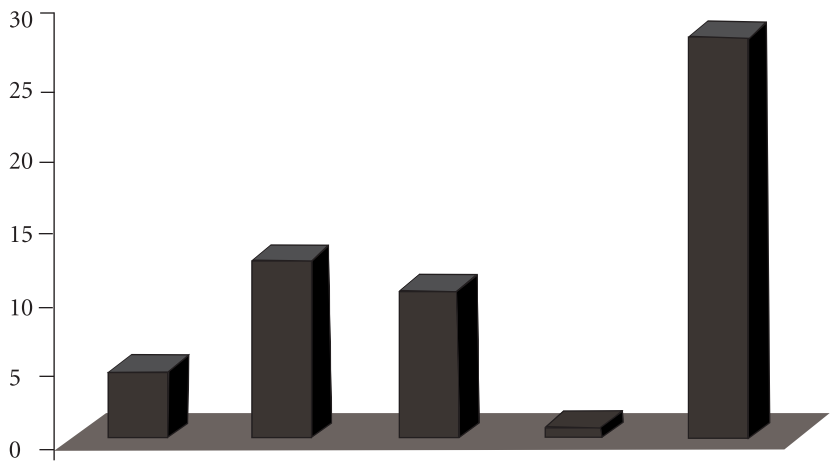
This is almost thire times the required amount of 22 million metric tons.

At this time India had more food stock than it needed or could store. After much deliberation the parliamentary committee made the decision to export the surplus.[8] They had also considered dumping the food stock because of the retention cost. Transferring food stock to the PDS, the ICDS or any of the other entitlement programmes such as food for work was not even considered. At the time when India was making the decision to export extra food stock, the population was experiencing the sharpest recorded decline in calorie consumption and the international price of food grain (wheat and rice) was lower than the price in a Public Distribution Shop. This means the BPL price for food grains was higher than the international trade price.

The government decided to give exporters a subsidy to offset this difference. So, if the domestic price was Rs 7 and the international price was Rs 5 and an exporter had to sell it at Rs 5.25, then the GoI gave a subsidy of Rs 2 to the exporter so that he/she did not make a loss. These food grain exports, about 2.8 crore tons, were exported in the last five years. And all these exports were to countries where it would be used for cattle feed.

The government thus chose to prioritise the feeding of cattle of developed countries over people in India living below the poverty line. The exporters, however, made sure the feed never reached the countries of export. They opened front companies in these countries and then they released the entire food stock into the domestic market where prices were higher.[9] The Central Bureau of Investigation has been investigating this case for the last three years but nothing has come of the great export subsidy scam

Figure 21.2 Food Grain Exports in Million Tonnes



	2001–2	2002–3	2003–4	2004–5	Total
■ Total exports	4.685	12.385	10.308	0.753	28.131

Source: *Monthly Foodgrain Bulletin*, Ministry of Food, Civil Supply and Consumer Affairs, Government of India, 2001–2 to 2004–5.

(see Figure 21.2 for the total exports that did not really happen in 2003–4).

At the time the government took the decision to export food stocks, the Supreme Court was deliberating the Right to Food case.[10] As part of this case, nine schemes were converted into legal entitlements in 2001. The Supreme Court said they are not schemes but legal entitlements; they are rights of the people. The case is still being deliberated. Until a final order is given on whether or not the right to food is a fundamental right, the government cannot change these schemes. The government, perhaps apprehended that the Supreme Court would insist on universalising and expanding the entitlements within these programmes, eliminated the food stocks before the court reached a verdict.

Although there is no documented evidence that World Bank dictated the change from a universalised PDS to a targeted PDS, it is well known that the World Bank has pushed policies for the targeting of food entitlement programmes. The targeting of food programmes has figured heavily in the Bank's agenda for the last two decades and after experiments in Africa and Latin America, they have repeatedly insisted on this policy in the past two decades. The World Bank Discussion Paper No. 380[11] advocates the closure of the FCI and allowing the market mechanism to prevail. This paper advocates targeting specifically to the poor with elaborate arguments for food stamps. In this it is ignoring international experiences of other Bank-sponsored programmes where the use of food stamps was unsuccessfully implemented.[12]

The Abhijit Sen Committee Report,[13] which was released by the GoI in 2001 with the intent of helping it manage food grain stocks, showed a drastic decline in both availability and off-take of the food stock in the PDS after 1997 (Figure 21.3). This drastic decline has had many negative ramifications. The most important impact is that it heralded the collapse of the PDS due to the reduced number of stakeholders. By targeting only the poor and very poor, this lowered the number of individuals benefiting from the programme and also lowered the number of individuals who could protest if the system did not work. As Utsa Patnaik deftly shows in her papers, the fall in food grain stocks correlates with a steady decline in the consumption of food grains.[14]

There are many other problems which arise with a targeted PDS. For example, the issue of who to include and who to exclude must be addressed. Inevitably a large number of people who deserve to be classified as BPL are left out and a large of number of people who do not deserve to be classified as BPL are included. Along with the inclusion and exclusion issue, there is a larger debate on exactly how the poverty estimates are calculated and the government's systematic reduction of the poverty line and therefore reduction in the number of people classified as BPL. In fact, in both 2001 and 2002 the government attempted to further reduce the poverty level from 36 per cent to 26 per cent by changing the poverty line itself.[15] As part of the Right to Food case, a stay was granted from the Supreme Court, thus preventing further reductions in the poverty line until the case is closed. At present the stay has been removed from court. Nevertheless, the government has agreed in court to abstain from any further reductions in the entitlements of individuals, regardless of

Figure 21.3 Per capita Cereals Availability and Public Distribution

Source: *Report of the Committee for Long Term Foodgrain Policy,* New Delhi: Government of India, 2001.

any decisions it takes in changing the poverty line. The present day poverty line used by the Government of India is much less a poverty line and more of a starvation line.

Other issues resulting from a targeted PDS include declines in cereal consumption, issues related to food sovereignty, and leakages and diversions after targeting. In 2005 the GoI and the Planning Commission estimated that for every kilogram of grain that reached the poor, 2.4 kg leaked out. This amounted to a monetary cost of Rs 3.65 for every Re 1 that was transferred to the poor. Of course this means that the number of individuals benefiting from the system is much lower than intended.

According to the latest figures from the 61st Round of the National Sample Survey Organisation (NSSO) on the distribution of ration cards per person or household (Table 21.1), the wealthiest quartile holds 16.8 per cent of the BPL ration cards and

Quartile 4 holds 30.5 per cent of the BPL ration cards. This shows the extent of the targeting errors, where individuals within the wealthiest quartiles hold 40 per cent of the ration cards while the poorest quartiles have only 60 per cent. This exemplifies the distribution problems resulting from the shift to a targeted PDS.

The World Bank has consistently advocated food stamps as a method for fighting

Table 21.1 Percentage of Households that Possess Ration Card 2004–5 (NSS 61st Round)

	Any card	*BPL card*	*APL card*	*AAY card*
Poorest	77.3	44.2	28.2	4.9
Q2	81.6	40.5	38.4	2.7
Q3	83.3	40.0	41.6	1.8
Q4	84.9	30.5	52.7	1.7
Richest	87.5	16.8	70.1	0.6

Note: APL – above the poverty line
BPL – below the poverty line
AAY – Antyodya Anna Yojana
Q – Quintile

Source: National Sample Survey Organisation, *Public Distribution System and Other Sources of Household Consumption, 2004–05*, based on the seventh quinquennial survey on Household Consumer Expenditure carried out during the NSS 61st round (July 2004–June 2005), Report No. 510, New Delhi: Ministry of Statistics and Programme Implementation, 2006.

hunger. In a food stamp system, a piece of paper is given instead of actual grain. The individual then takes this to a shop and is entitled to the quantity written on the paper. The Ministry of Finance, under pressure from agencies like the World Bank, is piloting food stamps and conditional cash transfer programmes in many districts of the country. The GoI is under immense pressure to convert the entire PDS to a food stamp system or a conditional cash transfer system. This conversion is advocated as a means of eliminating/reducing customer subsides and fighting corruption, among other things.

A large proportion of the subsidies that the government continually quotes is not customer subsidies but storage handling and transportation subsidies for the FCI. This is misleading because not only do these figures include the inefficiencies of the FCI but the nature of the subsidies is not directly beneficial to the poor. Due to the difference between the minimum support price (price at which the government buys the grains) and the price at which it sells to individuals under the BPL, only a portion of the differential is transferred to farmers. There is no evidence that supports the claim of a reduction/elimination in subsidies as a result of a food stamp system. Evidence from Sri Lanka, Mexico, Jamaica and other countries show a decreased availability of food grain.

In 1986 a food stamp system was introduced in Mexico. The number of beneficiaries declined by 80 per cent and the price of tortillas went up by 140 per cent. The stamps were not inflation-adjusted, so individuals received much less than the monetary value of the stamps. This resulted in an overall decrease in per capita consumption. In the 1980s the amount of corn went from 239 to 142 kg, wheat went from 53 to 49 kg and beans went from 20 to 15 kg per capita. In Sri Lanka the conversion from a universalised system to a targeted system directly resulted in halving the number of beneficiaries and this is all documented even in World Bank studies.[16]

Because food stamps are a form of currency as opposed to an actual material object, there is less accountability as to how they are used. For example, if you have a Rs 50 note or a food stamp worth Rs 50, they are interchangeable and easily duplicated. We have seen this happen in our employment programmes where stamps were introduced. They are not inflation-adjusted, so over time the quantity of grain that one gets will be much less. There is also the threat that women's control over food resources within the household will be reduced because food stamps can be converted to hard cash and spent on non-food items.

Macro policies in procurement will also be affected by the introduction of a Food Stamp system. In this scenario the FCI might be completely shut down. Alternatively, its role might be significantly reduced, for example, by lowering the amount of buffer stock it procures. It is also impossible to predict what would happen to procurement from farmers because the system would encourage them to sell in the market (instead of to the government) which would undoubtedly cater to consumers holding food stamps.[17]

It is also important to look at the ICDS as it comes under the purview of the Right to Food case. The ICDS was founded over thirty years ago and is the only institutional mechanism to address issues of health and nutrition. The ICDS was universalised under the direction of the Supreme Court and at present the GoI ensures that approximately 50 per cent of children under the age of six years are given six essential services: supplementary nutrition, health check-up, immunisation, non-formal pre-school education, referral services, and nutrition and health education.[18] However, at the national level, malnutrition rates have only fallen by 1 percentage point (from 47 to 46 per cent) in the years 1999–2006.[19] A malnutrition rate of 46 per cent is almost double that of Sub-Saharan Africa.[20] In some states, the malnutrition level has actually increased. For example, it has risen from 52 to 60 per cent in Madhya Pradesh and there have also been increases in Gujarat.

In 2001 this spurred the Supreme Court to issue orders that every child is entitled to the six essential services of the ICDS and it must remain universal. This should have resulted in the expansion of the ICDS programme to reach every child in the country, but this was opposed in many quarters. A small protion of the ICDS funding (less than 5 per cent of the total funding), in fact is funded by the World Bank.[21] For every Rs 100 (US$ 2.35) contributed by the government, the World Bank gives Rs 5. This gives the World Bank the power to influence government policies concerning the ICDS. They have blatantly disregarded the Supreme Court orders and continually advocated for a targeted system. The World Bank operates within a system of intellectual hegemony where it uses internally produced research and documents to influence the decisions of governments. Not only is the World Bank advocating a targeted food distribution system in a country where almost 50 per cent of the children are undernourished, it is also pushing a strategy that relies more on the use of micronutrients and a fortification strategy for addressing micronutrient deficiencies rather than a strategy of giving wholesome food to children. According to the National Nutrition Monitoring Bureau, there is an average calorie gap of nearly 600 for children in India. This means that on average, children, under the age of six, are getting 600 calories less per day than the suggested amount and are deficient in Vitamin A, zinc and iron, among other things.

Nutritionists have long argued that the best strategy for dealing with micronutrient deficiencies is to close the calorie gap with food that is highly nutritious. Using a pill-based strategy could actually be detrimental due to nutrient toxicity. Despite this, the World Bank continues to emphasise, along with agencies like USAID, a targeted, micronutrient-based strategy[22] of food fortification for the ICDS. Multinational corporations and private contractors would and have benefited the most from this system. Despite orders issued on 4 August 2007 by the Supreme Court banning contractors in the ICDS, the government continued to contract with private companies. Recently the Supreme Court began bringing in Chief Secretaries for contempt on this issue, so states are now beginning to remove private contractors from the ICDS.

If World Bank advice is followed, then we can be sure that what happened with the PDS will happen with the ICDS. We will find a similar sharp increase in malnutrition and multinational companies and private contractors will gain the most. Needless to say, if the Bank's advice is taken on this, then it would be in direct contradiction to the interim Supreme Court orders on ICDS to date which all stress universalisation.

Notes

1. The author works with the Supreme Court Commissioner on the right to food. He monitors all food and employment schemes of the Government of India. Supreme Court commissioners were appointed by the Supreme Court of India in May 2002 to monitor the implementation of the Court's order recognising the right to food as part of the 'right to life' found in Article 21 of the Constitution. For more information see http://www.sccommissioners.org, accessed 6 June 2007.
2. Bhaskar Majumder, *Public Distribution System of Essential Commodities as a Social Safety Net: A Study of the District of Allahabad, Uttar Pradesh*, Report to the Planning Commission, New Delhi: Government of India, 2001, pp. 7–17, http://planningcommission.gov.in/reports/sereport/ser/stdy_pds.pdf, accessed 4 November 2009.
3. The Agricultural Prices Commission was set up in January 1965 to advise the government on price policy of major agricultural commodities with a view to evolving a balance and integrated price structure in the perspective of the overall needs of the economy and with

due regard to the interests of the producer and the consumer. Since March 1985, the Commission has been known as Commission for Agricultural Costs and Prices (CACP), http://india.gov.in/outerwin.htm?id=http://dacnet.nic.in/cacp, accessed 6 June 2007.

4. The Food Corporation of India was set up in 1964 under the Food Corporation Act with the intent of ensuring the following objects: 'Effective price support operations for safeguarding the interests of the farmers, distribution of food grains throughout the country for public distribution system, and maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security', http://fciweb.nic.in, accessed 6 June 2007.
5. In operation since 1975, the Twenty Point Programme is in charge of developing national schemes to address issues related to poverty alleviation, education and health, employment generation, etc. It was revised in 1982, 1986 and most recently in 2006. The TPP strives to achieve an improvement in the quality of life of individuals, specifically those living below the poverty line. See http://www.mplads.gov.in/tpp2006/index.htm, accessed 6 June 2007.
6. The Revamped Public Distribution System was a special scheme to strengthen the impact of the PDS in the most remote and poverty-stricken areas of the country (urban slums, tribal, hilly and drought-prone areas) by expanding the programme and increasing the number of commodities available from ten to sixty. The programme was then further expanded in the mid-1990s to include all areas under the employment assurance scheme. Please see the document 'Public Distribution System of Essential Commodities as a Social Safety Net', at http://planningcommission.nic.in/reports/sereport/ser/stdy_pds.pdf, accessed 6 June 2007.
7. Please see http://www.planningcommission.gov.in/news/prmar07.pdf and http://www.hss.iitm.ac.in/people/faculty/courses/debashis/Poverty2.pdf, accessed 6 June 2007.
8. Please see http://dacnet.nic.in/dwd/wheat_prod1/import_export.htm or http://www.thehindubusinessline.com/2002/04/22/stories/2002042200160900.htm, accessed 6 June 2007.
9. Rajesh Ramachandran, 'The Grain Drain: Did Indian Exporters make Thousands of Crores by Diverting Subsidised Foodgrain?', *Outlook*, India, 27 September 2004, http://www.outlookindia.com/article.aspx?225249, accessed 4 September 2009.
10. PUCL vs Union of India and others, commonly called 'The Right to Food Case', started as a written petition submitted to the Supreme Court of India in April 2001. The petition posits that the right to food is a fundamental right of all Indian citizens. Although the verdict is still undecided, the Supreme Court has held regular hearings since April 2001 and has passed several orders based on the original petition and subsequent petitions. Please see http://www.righttofoodindia.org/case/case.html for a brief outline of the case and http://www.righttofoodindia.org/data/scordersprimer.doc for a more in-depth description and toolkit.
11. R. Radhakrishna and K. Subbarao, 'India's Public Distribution System: A National and International Perspective', Discussion Paper 380, Washington DC: The World Bank, 1997.
12. Ibid., p. 79. The international lessons on food stamps have been elaborated by Madhura Swaminathan in her study, *Weakening Welfare: The Public Distribution of Food in India*, New Delhi: LeftWord Books, 2003, where she shows that in Jamaica, the real value of food stamps fell by 17 per cent within a year after their introduction. At the Tribunal, Madhura Swaminathan taped a testimony in which she said that in Sri Lanka and Jamaica,

'increased price inflation after the reduction of food subsidies has led to severe cutbacks, increase in malnutrition and worsening food insecurity'. For her full testimony, see http://www.worldbanktribunal.org/video1.html.

13. The Abhijit Sen Committee Report, officially known as the 'Report on Long-Term Grain Policy', was commissioned in November 2000 to examine what was then the current system of National Food Security (specifically minimum support prices and price support operations, the role of FCI, the PDS, the policies regarding buffer stocks, open market sales and foreign trade, and allocation of grain for rural development and other welfare programmes) in order to recommend policy changes to increase the effectiveness of the system. An interim report was released in May 2001 and the final report was released in 2002. Please find all details regarding the report at http://fcamin.nic.in/dfpd_html/high-level-committee_report1.htm.
14. Utsa Patnaik, 'Political Economy of State Intervention in Food Economy', *Economic and Political Weekly*, Vol. 32, Nos 20–21, 17–30 May 1997, pp. 1105–12; Utsa Patnaik, 'Neoliberalism and Rural Poverty in India', *Economic and Political Weekly*, Vol. 42, No. 30, 28 July 2007, pp 3132–50.
15. http://www.indiatogether.org/2006/mar/ddz-povline.htm.
16. Madhura Swaminathan, *Weakening Welfare*; Radhakrishna and Subbarao 'India's Public Distribution System: A National and International Perspective'.
17. Radhakrishna and Subbarao, 'India's Public Distribution System', pp. 77–78 and 79.
18. Please see http://wcd.nic.in/icds.htm for more information on ICDS.
19. National Family Health Survey (NFHS-2) India, 1998–99, Mumbai: International Institute for Population Sciences and Calverton, 2000, http://www.nfhsindia.org/anfhs2.html, accessed 4 September 2009; National Family and Health Survey (NFHS-3), India, 2005–6, Mumbai: International Institute for Population Sciences and Calverton, 2007, http://www.nfhsindia.org/anfhs3.html, accessed 4 September 2009.
20. http://devdata.worldbank.org/wdi2006/contents/Section1_1_1.htm, accessed 6 June 2007.
21. Please see World Bank, *India's Undernourished Children: A Call for Reform and Action*, http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:20916955~pagePK:146736~piPK:146830~theSitePK:223547,00.html, accessed 6 June 2007.
22. See World Bank, *India's Undernourished Children*, pp. 65–69, for specific information concerning the World Bank strategies for vitamin supplemental intervention.

22

The Genetic Engineering of Crops

SUMAN SAHAI

The sustainability of agriculture is the crisis India faces today. The sustainability of agriculture is in danger at the levels of biology and soil health, and also at the level of economics. In this context this chapter will discuss genetically engineered crops. Genetic engineering and the process of creating a huge market around genetically engineered products are being driven by agencies external to India or external to the countries where such agriculture will take place and where farmers will engage in this agricultural activity. The World Bank is not the only agency that is promoting this but it is certainly one of the important ones. Because of its dominant position in the economic sector, it is able to influence many other agencies that are more directly involved with agriculture, for example the Consultative Group on International Agricultural Research (CGIAR)[1] and the US bilateral agency dealing with agriculture—USAID.

There are two levels at which the World Bank has chosen to intervene in India directly. One of the things that the World Bank has taken upon itself to do is capacity building.[2] There is the overt message that genetic engineering in agriculture is the preferred and perhaps ultimately the only mode of creating crop varieties and new varieties of seed. It follows that because you have to engage in genetic engineering, you need to be told how to do it. This is the basis of the so-called capacity building workshops. The World Bank has allocated money for countries in the developing world, particularly in Asia and Latin America, to build capacity in genetic engineering. The capacity building is targeted at scientists and government officials. So, it is anchored in the Ministry of Environment and Forests. The officials of the Ministry of Environment and Forests are told by a group of foreign consultants about biosafety[3] and how to implement it. In actual fact, the biosafety paradigm you need for your agricultural practices or agricultural situations can only be developed in consultation with your farmers and with those people who do agricultural research—this means people who are involved with scientific research and developing crop varieties and the farmers who cultivate the crop varieties. The primary target cannot be policy people in ministries, to the exclusion of the real stakeholders. If you look at whom these capacity-building exercises are addressed, you do not need to be a rocket scientist to figure out that in the guise of capacity building, actually an exercise in indoctrination is under way. It is a kind of sustained effort to really promote the technology, not to understand biosafety, not to understand how to implement this technology or assess whether the technology should be implemented in a particular area at all.

The capacity-building exercise is really undertaken to impress upon government departments and government officials that participating in the programme on genetically engineered crops and products is important for India if it wants to have alliances at the international level, with the United States and with the World Bank and other dominant donor agencies. Insiders say that during such capacity-building programmes, in the Ministry of Environment, other than lunches and dinners where this promotion takes place, there is actually very little work done on biosafety *per se*. Programmes with specific lectures on biosafety, risk management or discussing alternatives to genetic engineering are few and far between.

The other method of the World Bank's interventions is to promote the technology in international negotiations by supporting those kinds of scientific and non-scientific agencies that participate in such negotiations. Outcomes of such meetings are manipulated to make policy statements in favour of adopting genetic engineering. For instance, a statement could go out saying that India was overwhelmingly in favour of adopting genetic engineering as an agricultural technology in preference over many other options that are available.

The World Bank sometimes works through research agencies that get into collaborative research, such as USAID research programmes. Often such research programmes will focus on getting access to the country's biological resources. This kind of collaborative research programme serves as a facade for gaining access to the biological resources that are crucial to the genetic engineering programmes of any country that is not rich in bio-resources; here really is the crux of what is happening in developing countries.

Biotechnology or genetic engineering is a technology which relies on biological resources as its raw material base. Biological resources are overwhelmingly present in what are today's developing countries. Therefore, a lot of the capacity-building exercises and research collaborations are located in such bio-diverse regions. Along with the promotion of the technology and pressuring governments to agree to give this prime focus in their agriculture policy planning, there is a concentrated effort to gain access to the valuable gene pool available in the crop diversity of developing-country agriculture. Germplasm, the gene pool of any country, whether it is in the form of insects, plants or animals, is essentially what genetic engineering tries to target. Because the United States and the temperate countries are not very rich in genetic diversity, it is difficult for them to find the range of genes needed to make innovative agricultural products.

Today, access to genetic material is secured not just physically but overwhelmingly through intellectual property rights mediated by the Trade-Related Intellectual Property Rights (TRIPS) chapter of the World Trade Organization (WTO).[4] For example, if you are able to access, say, indigenous varieties of rice that are resistant to drought or to high temperature, you have access to genes that confer the property of drought and heat tolerance that can be used across a wide range of rice varieties across the world. These two traits in particular are the kind of genetic material which is hugely sought after now in order to adapt existing crop varieties to global warming and climate change. A heat tolerant gene is a highly sought-after gene today.

Scientists are even looking at heat-tolerant microbes for genes that can tolerate extremely high heat; for example, the thermophilic bacteria that are found in Yellowstone National Park or in the hot sulphur springs that we have in Nalanda and Bodhgaya. That heat-tolerant capacity is determined by certain genes and these genes now are amongst the most sought-after by those corporations that are engaged in genetic engineering in the hope of developing products that can survive high temperatures.

In India, what is the impact of Bt cotton?[5] It is not my contention that the farmer suicides are the result of Bt cotton but it is certainly my contention that farmer suicides are the result of a negative agricultural situation where cash crops, especially expensive cash crops like Bt cotton, have resulted in losses of such magnitude that these have become the straws that broke the camel's back.

Apart from the question of affordability, there is also the question of relevance and desirability of genetically modified crops and foods. Are such crops really something that an agriculturally diverse country anywhere in Asia or Latin America would need? There are thousands of varieties available in each of the crops cultivated in India and they possess a diverse range of properties. What does India need Bt cotton for? Indian farmers know hundreds of ways to control pests. Integrated Pest Management (IPM) models have been developed for several crops including cotton, and these have been largely affordable and successful.

The Bt cotton strategy based on the use of a bacterial toxin gene requires a complex management strategy in order to keep the Bt strategy alive. The refuges of non-Bt cotton that are to be grown along with Bt cotton are a somewhat desperate (and short-term) attempt to keep the Bt resistance viable.[6] This strategy overlooks a fundamental biological fact that anyone who understands agriculture and biology knows, something called the host-pathogen dynamic. This dynamic is never stable. Sometimes the host is on top, sometimes the pathogen is on top, sometimes the bug is stronger and sometimes the seed is stronger. There is an eternal conflict between the two. So, a single-shot approach like the Bt approach to controlling a pest is never to going to work.

As far as food security is concerned, genetically modified crops are proposed as the solution to solve all of the problems of poverty and hunger. But the strange fact is that there is still no crop available that would actually address hunger or food by producing more food or even better food. We have so far only got cotton, corn, canola and soybean, but we do not eat soybean in India. The corn and soybean are largely used for animal feed and the corn for making High Fructose Corn Syrup, a sugar substitute that will displace the products of cane sugar-producing countries like India.

Are genetically engineered product safe products? Unfortunately not. Not as much research is being done on safety issues as there is on promoting these crops and these products. However, whatever research is being done shows overwhelming evidence that both the environment and the health of humans and animals can be seriously harmed by genetically engineered products.

There is now considerable evidence that when these genetically engineered plants are cultivated in the open or even when they are in a field trial, which is a sort of controlled condition, the pollen will flow out, carrying with it the foreign genes, whatever the foreign genes are, to other related plants. There is another misunderstanding about the pollen-mediated foreign gene flow. There is not just one gene that is carried into a transgenic plant and so there is not only one foreign gene that is transferred. Genetic engineering is done with a whole gene construct, also called a gene cassette. This whole cassette enters plants along with the intended gene when pollen-mediated transfer takes place. So, you can have a lot of very strange genes floating around in the natural population which can go to places where they were never intended, and we have no understanding of what can happen in this situation.

A number of food safety studies now show that genetically engineered food causes serious health damage. Mice and rats showed allergic and toxic response, manifested as multiple lesions, immune system collapse and blood profile collapse. If rats and mice show these effects, human beings will too. Clinical trials for new drugs are conducted on rats and mice since any adverse effects seen in these animals are going to be seen in humans.

In closing, genetic engineering is expensive and it is alien. India's farmers do not have the time to use this technology, put 20 per cent refuge here and 24 per cent refuge somewhere else. What the technology offers today has little relevance to our needs and it is not safe. There are six corporations that control this technology; Monsanto, Syngenta, DuPont, Dow, Bayer and BASF. These six corporations control everything, practically everything downstream and upstream in this technology. They are the ones who benefit from implementing this technology, not the farmers.

Notes

1. The CGIAR currently receives 40 per cent of the total number of World Bank grants which are managed through its Development Grant Facility (DGF). For the 2003 World Bank evaluation of CGIAR, see 'The CGIAR at 31: An Independent Meta-Evaluation of the Consultative Group on International Agricultural Research', http://www.worldbank.

org/ieg/cgiar, accessed 6 June 2007. For information on DGF see http://go.worldbank.org/CAB5SUCHU0, accessed 6 June 2007.

2. An important example is the National Agricultural Technology Project, 1999–2004. See http://www-esd.worldbank.org/ais/index.cfm?Page=mdisp&m=02&p=9 and http://www.worldbank.org.in/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=295584&menuPK=228424&Projectid=P010561, accessed 6 June 2007. Another example is of course the National Agricultural Innovation Project. See http://web.worldbank.org/external/projects/main?menuPK=51447259&pagePK=51351007&piPK=64675967&theSitePK=40941&menuPK=64187510&searchMenuPK=51351213&theSitePK=40941&entityID=000003596_20060103121019&searchMenuPK=51351213&theSitePK=40941, accessed 6 June 2007.
3. Biosafety is a term used to describe efforts to reduce and eliminate the potential risks resulting from biotechnology and its products. For the purposes of the Biosafety Protocol, this is based on the precautionary approach. While developed countries that are at the centre of the global biotechnology industry have established domestic biosafety regimes, many developing countries are only now starting to establish their own national systems. See the FAQ on biosafety, http://www.genecampaign.org/Faqs/FAQs%20on%20Biosafety.pdf, accessed 6 June 2007.
4. The WTO Agreement on TRIPS promotes the privatisation of biological resources by allowing patents to be granted on biological materials and associated indigenous knowledge. For more information see http://www.genecampaign.org/Publication/Article/IPR/trips&biodiversity.pdf, accessed 6 June 2007.
5. A genetically engineered strain of cotton by Monsanto (now Pharmacia) which was supposed to be resistant to the bollworm, therefore requiring fewer pesticides. Its efficacy has been widely contested. Bt stands for *bacillus thuringiensis*, a spore forming bacterium that is toxic to many insects.
6. This strategy to plant a certain number of non-Bt cotton rows in a Bt cotton field to provide a 'refuge' for the bollworm is claimed to increase the efficacy of the Bt cotton's long-term resistance to the insect.

23

The Privatisation of Seeds

AFSAR JAFRI

The World Bank is facilitating the privatisation of the seed sector and monopolisation of seeds through private companies and seed corporations. As one knows, the seed is the foundation of agriculture. It is an important link in the food chain, and seed corporations are trying to monopolise that link. The World Bank has facilitated the transfer of seeds from community control to multinational corporation control through its various projects, loan conditionalities and policy interventions.

In September 2007, I met with a representative of a known private seed company. This was in Bihar, which is one of India's backward states. He told me that in a state like Bihar, the hybrid seeds have completely replaced *desi* (indigenous) seeds in several crops, so much so that today you would not get desi seeds at all. Take for example, maize; there is a 90 per cent hybridisation of maize cultivation. I am not speaking about Andhra Pradesh, Punjab or Haryana, which are the hinterland of the Green Revolution, but about increasing seed replacement in Bihar. This is the situation today in the seed sector where local seeds or 'freedom seeds' are disappearing and being replaced by 'private seeds', which are owned and controlled by the big seed corporations.

As you might know, the World Bank had a big role to play in pushing the Green Revolution in India. The World Bank had, with the USAID, brought in the Green Revolution technology in the 1960s. The important aspect of that were the high yielding varieties (HYVs) which were promoted by the World Bank. They were called 'miracle seeds' at that time and the World Bank tried to promote the Green Revolution through these miracle seeds. Therefore, they gave full financial support to the state governments so that this technology and the HYVs reached all the villages.

In 1963, the National Seed Corporation (NSC) was founded which led to massive imports of new HYVs. The NSC was the centre of seed production of breeders, foundation and certified seeds[1] and their quality control. During that time, another important development was the establishment of Tarai Seed Corporation in 1969 with a World Bank loan worth US$ 13 million. It was established to make our farmers adopt the improved miracle seeds. Under the National Seeds Project (NSP) and NSP1, US$ 41 million support was given to India which required replacing farmers' traditional varieties with externally evolved and supplied high yielding dwarf varieties. In 1988, the World Bank brought in the NSP III with US$ 150 million, where the focus was to make the India's seed sector more market responsive. This last NSP was aimed to privatise the seed industry and to open India for multinational seed corporations, thus beginning the corporatisation of India's agricultural system. The growth of marketed seeds was the main objective of 'developing' the seed 'industry' because farmer-owned seeds do not generate growth in money terms.

Thus the World Bank's 1988 policy paved the way for the entry of international seed corporations like Monsanto, Syngenta, Novartis or Dupont, which later on started taking over the India's seed supply and started collaboration with domestic seed companies. This brought in a significant change in the freedom of seeds: earlier the seeds belonged to the farmer, now they belonged to the companies. This shift also implied that from being a free resource reproduced on the farm, seeds were transformed into a costly input to be purchased. Second, this shift also influenced our cropping pattern. I worked on a study on the impact of globalisation on the seeds sector called 'The Seeds of Suicide'.[2] In this study, I found that the increasing use of company seeds to replace indigenous varieties was accompanied by a remarkable increase in the cost of production as well as a major shift towards cultivation of cash crops. Instead of growing food and maximising ecological security and food security, farmers have been induced to grow cash crops for high profits, without any assessment of risks, costs and vulnerability. Moreover, the increasing shift towards the private sector impacted the public sector seed research establishments that merely became the providers of germplasm and parental lines for further development and refinement of the private sector seeds.

When the NSC was set up, it was hoped that it would provide certified seeds. But under World Bank directions in the late 1980s the Indian government started withdrawing from supplying seeds to the farmers, focusing exclusively on the production of breeder and foundation seeds, while the production of certified seeds was left to the private sector. The World Bank further pushed this development by providing loans to the private sector, thus facilitating the privatisation of the seed sector in India. In September 2007, the day before I presented at the Tribunal on the World Bank in India, I spoke to a friend in Jharkhand who told me that presently there is a World Bank project in this state called the Agricultural Technology Management Agency (ATMA)[3] under which state agriculture department officials supply hybrid seeds to the tribals and farmers. They even forcibly take away indigenous seeds from tribals and give hybrid seeds in return. It is sad that even today the World Bank is pushing for the adoption of privately owned hybrids seeds.

We have observed that in every region where farmers' suicides are happening, whether in Vidarbha, Andhra Pradesh or Tamil Nadu, the small and marginal farmers do not farm for their food needs. The farmers in Bihar are growing maize, a hybrid maize, which is basically meant for cattle feed and not for human consumption. So the crop they grow is not for their consumption, and now even for their own food requirement they are dependent on the market, while earlier they used to get it from their fields.

One of the drastic impacts of the opening up of the seeds sector for seed corporations is seen in the vegetable sector. You will be surprised to know that though India has one of the largest agricultural research and development system in the world, in the last five decades the public sector has developed only twenty-nine foundation hybrid varieties of vegetables while the private sector has developed around 600 improved varieties/hybrids and is marketing more than 1,000 hybrid varieties of fourteen vegetable crops.[4] This is the result of the concerted efforts made by the World Bank to discourage production of vegetable seeds by public enterprises. This is the reason that today the Indian seed sector is worth nearly Rs 5,500 crore, and it is expected to cross Rs 10,000 crore within five to six years.[5]

The last part of this chapter is on the National Agriculture Innovation Project (NAIP).[6] According to the World Bank, the objective of NAIP is 'to contribute to a sustainable transformation of the Indian agricultural sector from food self-sufficiency to one in which a market orientation is equally important for poverty alleviation and income generation'.[7] Once again, World Bank is using the same *mantra*; that is, in the name of poverty alleviation, they would push for genetically engineered seeds and intellectual property right (IPR)-protected seeds. The NAIP document indicates that the NAIP will push for the development of genetically modified seeds, plants and animals as well as providing IPR protection to agricultural research and innovation. Under NAIP, all public agriculture universities, all the Krishi Kendras (agricultural centres), agri-clinics and every public institution related to seeds are a part of this project and it also includes private sector companies to facilitate public-private partnership. This is a dangerous move to control the public sector institutions on agriculture and this project must be re-evaluated more seriously.

For NAIP, the World Bank has extended a loan worth Rs 1200 crore[8] to the Indian Council of Agricultural Research (ICAR).[9] The project appraisal document of the NAIP says, 'In order to generate additional income and employment for the poor, the role of agriculture research and development is critical. Given the limited scope of area expansion, increase in productivity, profitability and competitiveness could be the main source of agriculture growth in future and this should be led or triggered by advances, innovations and applications of science and agriculture'.[10] In other words, Indian agriculture will shift from resource- or input-based growth to knowledge- or science-based growth and we know what this knowledge- and science-based growth would be. It would push for genetic engineering in agriculture.

However, one important aspect of this project is that it has been dovetailed with the Indo-US Knowledge Initiative on Agriculture (Indo-US KIA) signed between India and the United States with the basic intention of transferring the control of

Indian agriculture from local communities, academia and government agencies to US corporate houses. Interestingly, the US corporations Monsanto, Walmart and Archer Daniels Midland Company are among the Board members to implement this knowledge initiative in agriculture.[11] As far as the IPR issue is concerned, the project implementation plan says that the intellectual property generated through the programme will be governed by the rules and regulations of the IPR Cell of the ICAR,[12] and the sharing of income from intellectual property rights of the consortium would be in accordance with a proposed percentage of how much will go to ICAR, how much will go to the private sector and how much will go to the other partner in the consortium. So this basically facilitates IPR on seeds and animals. To date, India does not have IPR protection for seeds but with the NAIP and Indo-US KIA, soon our IPR laws would be amended to provide for patents on seeds and animals.

In the last ten years, the seed companies are pushing the Indian government to provide patent protection for seeds and their varieties. They pressured the government to provide adequate intellectual property protection in the form of plant variety protection. They also pushed the government to enact a Seed bill in 2004, which basically provided for more protection to the seed industry while completely finishing off farmers' rights over seeds. This bill is still pending and the Agricultural Ministry is ready with a revised seed bill based on the recommendations of the Joint Parliamentary Committee on the Seed bill 2004.

It is also important to note that the World Bank has a close relationship with the multinational biotech corporations and agrochemical industries. The Bank's agriculture policies have been practically written by corporations such as Monsanto, Aventis, Novartis and Dow Chemicals. In the 1990s, the Bank entered into business partnerships with nearly all of the leading pesticide and biotechnology companies through a staff exchange programme that involved 189 corporations, governments, universities and international agencies.[13] Now with the NAIP in place, we know pretty well that this World Bank-supported project would benefit only corporations by facilitating access to farmers' varieties and rich gene diversity preserved in our ex-situ and in-situ gene banks.[14]

To conclude, the World Bank, through its projects and policy advice, has largely contributed to the present agrarian distress in India. Further, seed is very important for the food security of a country. But through control over seeds, the food corporations are trying to control the whole food chain in India. The World Bank is also responsible for creating and furthering the ecological crisis in farming today and for eroding the natural resource base of farmers in irreversible ways. India was known for its native seed diversity adapted to different growing conditions all across the country. However, the Green Revolution package, with specific seed-related projects supported by the World Bank, led to the erosion of India's rich agro-diversity. So this was the phase of the World Bank intervention in India in the seed sector. Presently there is a worldwide public demand that the World Bank should be shut down. I support this because in order to have food security and seed security, we cannot just accept the World Bank recommendations and conditionalities which support private seed corporations' interest and are largely responsible for the present agrarian crisis, not only in India but the world over.

Notes

1. The Seed Certification Process is intended to maintain the genetic and mechanical purity and identity of commercially produced seed through all steps of production, harvesting, storage and conditioning. The certification system involves a limited generation or pedigree system comprising four classes of seed: breeder, foundation, registered and certified. Each class, except for breeder seed, must meet minimum established standards.
2. Vandana Shiva, Afsar H. Jafri, Ashok Emani and Manish Pande, *Seeds of Suicide: The Ecological and Human Costs of Globalization of Agriculture*, New Delhi: Navdanya, 2006, http://www.navdanya.org/publications/seeds-of-suicide.pdf, accessed 6 June 2008.
3. ATMA is a government agency, operating in three states (Jharkhand, Bihar and Orissa) that was created by and is funded by the World Bank's National Agricultural Innovation Project. See http://www.manage.gov.in/atmakangra/index.htm, accessed 4 September 2009.
4. http://www.seedassociationofindia.com/manager/webadmin/dashboard/subcatg/upload/developmentofF1hybridsinvegetablecropsinpublic&privatesector.doc, accessed 4 September 2009.
5. K. V. Somani, *Indian Seed Industry: An Overview*, New Delhi: Indian Agribusiness Survey, MRIDA, 2005
6. For World Bank documentation of NAIP, see http://www.worldbank.org.in/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=295584&menuPK=295617&Projectid=P092735. For Government of India related information on NAIP, see http://www.naip.icar.org.in, accessed 6 June 2008.
7. World Bank, Project Information Document (PID) Concept Stage, Report No. AB1541, 2005, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/04/14/000104615_20050415094132/Rendered/PDF/PID.pdf, accessed 6 June 2008.
8. 176 million euros.
9. The ICAR network includes institutes, bureaux, national research centres and project directorates, and has a manpower of about 30,000 personnel out of which nearly 7,000 are engaged in active research and its management. Thirty-eight state agricultural universities (SAUs) employ about 26,000 scientists for teaching, research and extension education; of these over 6,000 scientists are employed in the ICAR-supported coordinated projects. See http://www.icar.org.in/icar1.htm, accessed 6 June 2008.
10. World Bank, Project Information Document (PID) Appraisal Stage, Report No. AB2017, 2005, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/12/21/000003596_20060103121019/Rendered/INDEX/Project0Inform1nt010Appraisal0Stage.txt, accessed 6 June 2008.
11. The other US board members are a representative from the United States Department of Agriculture (USDA), the Chicago Council on Foreign Relations and representatives from three agricultural universities, viz., National Association of State Universities and Land Grant Colleges (NASULGC), The Ohio State University and Tennessee State University.

12. The Intellectual Property Rights Cell manages IPR issues for all the Consultative Group on International Agricultural Research (CGIAR) projects. It was formed in 2001.
13. Bank President James D. Wolfensohn started the Staff Exchange Program or Share in 1995 which facilitated employee sharing between the World Bank and multinational corporations. A full list of current corporate sponsors, which includes Aventis, Dow, Masterfoods (USA) and Novartis, can be found at http://go.worldbank.org/OMBH9F5XL0, accessed 6 June 2008.
14. A planned and managed repository containing genetic resources. Repositories include the environment in which the genetic resource has developed, or is now normally found (in situ) or facilities elsewhere (ex situ).

V

Corporate Greed and Common Goods

24

Electricity Sector Reform

SREEKUMAR N.

The World Bank Group has been extending loans to the Indian energy sector since 1950, starting with an US$ 18.5 million loan to the Damodar Valley Corporation. In the 1960s, it supported many hydroelectric projects. Central government-owned corporations, the National Thermal Power Corporation and the Power Grid Corporation of India Ltd, were set up in the 1970s to construct thermal projects and transmission systems. The World Bank has supported both these agencies. It has also supported several State Electricity Board (SEB) projects. In the mid-1980s, the World Bank moved from project loans to SEB loans and in the 1990s to loans for sectoral restructuring. There have also been loans to the coal sector and for the non-conventional energy sector. After 1994, the World Bank has been extending support to only those states that agree to market-oriented reforms, including privatisation. These loans started with Orissa (1996) and were followed by Haryana (1998), Andhra Pradesh (1999), Uttar Pradesh (2000), Rajasthan (2001) and Karnataka (2001). It may be mentioned that at the same time the Asian Development Bank (ADB) was also supporting state sector reforms, with a focus on Madhya Pradesh, Gujarat and Kerala.

In the 1990s, Bank loans to the energy sector were 18 per cent of the total annual amount lent by the World Bank to India.[1] The Bank is important not just as a bank that grants large loans, but also due to the conditions attached to the Bank's loan and its direct and indirect policy influence. Many of the sectoral loans pioneered by the World Bank have been supported by partner bilateral agencies that have come forward because they gave credibility to the World Bank's assessment. For example, the Orissa power sector restructuring loan amounts to US$ 1,000 million, of which the World Bank's contribution is just 35 per cent.[2] It is to be noted that the Orissa reform model and all the policy prescriptions have been prepared by the Bank, but supported by a large grant from the Department for International Development (DfID, the UK bilateral agency).

The World Bank has been periodically revising its strategy for the Indian power sector. The Country Strategy (2004) of the World Bank Group for India for the period 2005–8, talks about promoting private sector-led growth in the power sector.[3] It clearly states that: 'In States that move forward with well designed private transactions and the facilitation of new entry, the Bank group will be able to offer a variety of support'. The strategy in the power sector is stated to be:

1. To facilitate serious, long-term private involvement in commercially viable distribution segment, transmission and improving services and targeting subsidies in rural areas[4]
2. Pending privatisation, improve SEB performance through unbundling[5] and the creation of regulatory commissions, open access, a transparent subsidy mechanism, better payment discipline, independent auditing and management information systems and better management and accountability of staff for commercial performance.

The Country Assistance Strategy of the World Bank states that the environment and social safeguard practices have improved[6] and the World Bank would support the government in modest hydropower development. The International Finance Corporation (IFC) would continue to support private power projects. In rural electrification, the Bank plans to work in an advisory capacity and promote sustainable rural electrification models (such as franchises and cooperatives). The annexure (in the Country Assessment Strategy) on private sector strategy states that the absence of an adequate reliable power supply is the infrastructure bottleneck for Indian business. It also says that the urgent priority is to rationalise tariffs, de-politicise the tariff setting process, introduce time of day tariffs and reduce cross subsidies. The strategy promotes public-private partnership (PPP) as the suitable model for private sector-led growth in infrastructure.

Thus, in the last fifty years, World Bank strategy has changed from individual state government projects to central government projects, followed by state sector reforms and now private sector-led growth. The next sections cover the Bank's role in catalysing the market-oriented reforms in the state power sector in the last decade.

State Sector Reforms

Starting with Orissa in 1996, several states have undertaken sectoral reforms based on external funding. World Bank loans were extended to Haryana, Andhra Pradesh, Uttar Pradesh, Karnataka and Rajasthan. The biggest influence was its push for utility unbundling and independent regulation, under the title of 'State sector reforms'. All the aforementioned loans are now complete. The following sections give the background to state sector reforms and briefly describe the results in these states.

BACKGROUND

India has achieved significant expansion of the electricity sector from the time of independence, through a state-led model. There has been commendable growth in generation capacity, the number of electricity consumers, the number of agricultural pumps and the length of the electricity network. Along with this growth, India also improved its technological capabilities and a large number of highly skilled personnel became available in the country.

Electricity is on the Concurrent list[7] of the Constitution with specified roles for the central and state governments. The central government has been responsible for planning, inter-state transmission and some generation projects. State governments have a bigger role with generation, transmission and distribution. SEBs performed their function quite well until the 1980s. From then onwards there has been a deterioration in performance, which can be traced to failures on four fronts: techno-economic (high losses, low efficiency and poor project implementation); policy (poor targeting of subsidies and shifts in choice of generation); planning (over-emphasis on a centralised supply approach and neglect of end use efficiency); and governance (undue interference in SEB functioning by state governments, corruption, project delays, bad management and the lack of accountability of utilities).

The distortions caused by these failures led the sector into a crisis at the beginning of the 1990s. This crisis in the electricity sector had three important components:

1. Performance: low efficiency and lethargic administration;
2. Financial: stagnant revenues, increasing expenditure, increasing arrears, increasing losses and lack of capital;
3. Credibility: loss of credibility in the eyes of consumers, common citizens and funding agencies.

Each of these three components of the crisis in the electricity sector are of equal importance. However, the main preoccupation of mainstream leaders in the sector (politicians, bureaucracy, mainstream economists and engineers) has been the financial crisis.

This lopsided understanding on the part of sector leaders has been largely responsible for further aggravating the crisis. Even the World Bank focused on the financial crisis while neglecting other facets of the crisis and the alternative solutions, as discussed in later sections.

As a lender and a 'development' institution, the World Bank pressed for improvement in the functioning of the SEBs, especially their financial viability. As the SEBs continued to deteriorate (in performance and finance), the World Bank started demanding stiff targets for improvement in functioning as a condition for loans. As the conditions were not fulfilled, in the early 1990s the World Bank resorted to cancelling six loans given to SEBs. SEB losses continued and in the early 1990s, the World Bank took a rigid position that it would not continue to lend to the power sector unless privatisation was part of the restructuring.

Through such measures, the World Bank started affecting the perspectives of policymakers as well as other financing institutions. Changing discourse, giving legitimacy to a particular perspective and a clear plan backed by financial muscle drove change in the electricity sector.

The World Bank argued that the crisis in the government-owned SEBs was uncontrollable and only privatisation of power utilities could save the electricity sector. However, the increasing losses and other failures of SEBs was not the only factor that prompted the 'market-fundamentalism' adopted by the World Bank. In fact, various political and economic developments at the international level also played a key role in shaping its position. After the fall of the Soviet Union, the US and other nations established a clear domination of the 'unipolar' world. One of the manifestations of this dominance was the wide-scale acceptance of the mantras of liberalisation, privatisation and globalisation (LPG). The World Bank and the International Monetary Fund have been the chief proponents and leading campaigners for LPG.

At this time, the state-level politicians who controlled SEBs found themselves in a peculiar situation. They had to face public wrath caused by the rising electricity tariff and the deteriorating standards of consumer service of SEBs. At the same time, the benefits and advantages that they used to draw through their control over the SEBs started dwindling due to the deteriorating condition of the SEBs. As a result, the electricity boards became political liabilities, which the controlling political leaders were keen to jettison, after siphoning off any available funds even during the transition period. It was the willingness of state politicians to loosen their control over the poorly performing SEBs that strengthened the position of the World Bank and allowed it to acquire a strategically key position in the electricity sector and start dictating its direction in many states.

The World Bank initiated reform of the Orissa power sector in this context. The stated idea was to overhaul the loss-making sector, bring in massive capital investment and privatise operations, so that over a period of few years the sector would make profits.

ORISSA REFORMS

Orissa is one of the poorest states in India. It is rich in natural resources, but nearly half its population lives below the poverty line. Orissa has the misfortune to be ravaged by natural calamities—drought during summer and floods during the rainy season. Orissa pioneered the power sector reforms in India, which were initiated in 1993 and consolidated when the Congress was in power. Subsequently, the reform process went ahead even when the government changed and the Biju Janata Dal took over. Initially, Orissa was touted as a 'model' example of reform, but today it is treated as one of the major failures. Over the last ten years, Orissa continues to be one of the most keenly observed power sectors.

Orissa has a few special characteristics, specifically, in relation to its power sector:

- The power sector in Orissa is relatively small with many big bulk consumers. Power consumption by subsidised agricultural users is quite small: 6 per cent (compared to the all-India average of 30 per cent).[8] Therefore, the level of subsidy to agriculture is quite low.
- The power tariff was increased by 67 per cent in the three-year period before reforms.[9] In 1995, the tariff revenue was sufficient to meet the operational cost of the Orissa State Electricity Board (OSEB). As a result, the sector was not facing a major financial crisis, unlike some other states.

These reasons may have contributed to the coming together of the World Bank, Government of Orissa and Government of India to choose Orissa as the state to launch the reform model. Table 24.1 gives the major milestones in the Orissa reform process.

Table 24.1 Orissa: Milestones of Reforms

Milestone	*Date*	*Comment*
Independent Power Projects (IPPs) planned	1991	4 planned, none operational
Broad plan of Reform	November 1993	Government of Orissa (GoO) agreement with World Bank
Unbundling of OSEB	March 1995	Grid Corporation of Orissa Ltd (GRIDCO) & Orissa Hydro Power Corporation in March 1995. Orissa Power Generation Corporation (OPGC) (thermal generation) in 1984
Policy Statement	April 1995	
Reform Act	April 1996	Passed in the state Assembly in 1995
World Bank Loan agreement	July 1996	
Orissa Electricity Regulatory Commission constituted	August 1996	
Privatisation of Distribution -1	October 1996–April 1997	Management Contract of Central Zone with Bombay Suburban Electricity Supply (BSES)
Distribution Companies formed	November 1998	
Privatisation of Distribution -2	September 1999	Central Electricity Supply Corporation of Orissa (CESCO): AES, US; remaining 3: BSES
Privatisation of Generation	January 1999	AES takes 49 per cent stake in OPGC
AES withdraws from CESCO	August 2001	
High Power Review Committee	May 2001–October 2001	Set up by GoO to review reforms
Closure of World Bank Project	2004	

After a few years of the reforms, it became clear that the performance of the sector had not improved as predicted by the architects of the project. Losses by the state-owned transmission company GRIDCO piled up, private distribution companies could not improve the distribution system and the tariff kept rising. In 2001, the state government appointed a committee headed by S. Kanungo to review the reform project.

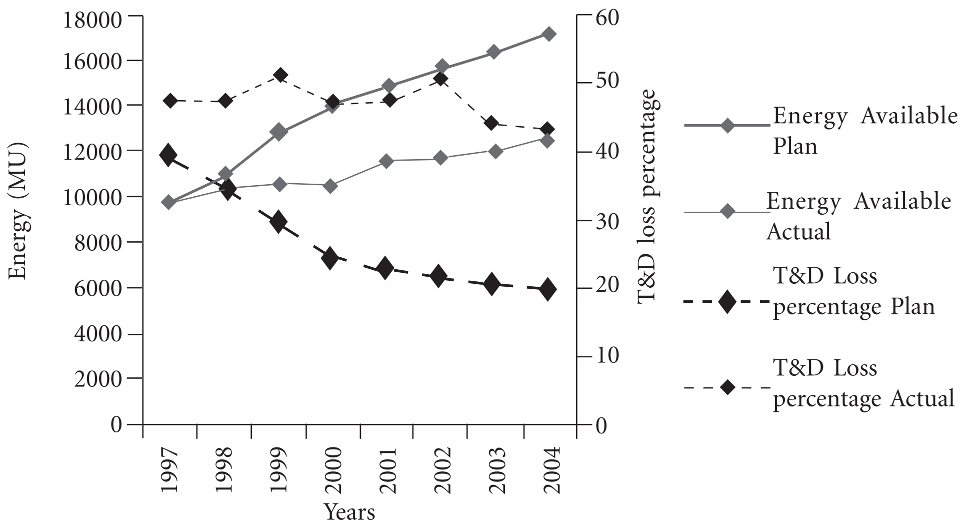
The Kanungo committee report (2001) severely criticised the Orissa reform process. Some of its major observations were:[10]

- Distribution companies did not bring capital or expertise to Orissa. The transmission and distribution loss figures did not reduce to 21 per cent as was planned, but remained at 45 per cent. The collection efficiency also did not improve.
- Generation assets were overvalued and this caused a steep rise in generation costs.
- The financial health of GRIDCO, the state-owned transmission utility, suffered due to many reasons. The private distribution companies did not pay GRIDCO in time, the cost of generation went up and GRIDCO's debt burden went up.
- AES, which took over distribution of the Central Zone, behaved in a high-handed fashion and ultimately left in August 2001.
- Local expertise was neglected and a very high amount of Rs 306 crore (US$ 71.83 million) was spent on foreign consultants.
- Capital-intensive projects were planned but none were completed for a variety of reasons. Investment to the tune of Rs 3,000 crore (US$ 714.07 million) in the next five years may be needed to bring the sector back to health.
- As envisaged in the reform model, the state government stopped giving subsidies to the sector. In the face of high losses, the sector finances continue to be in trouble.

The Implementation Completion Report of the World Bank (December 2004)[11] was equally strong in finding faults with the Orissa reform project. The overall outcomes of the project were rated unsatisfactory and sustainability considered unlikely. The report candidly states right at the beginning that 'in Orissa itself, the restructuring and reform remained a work in progress by the end of the project'. Out of around thirty rated indicators, most are unsatisfactory. Government of India implementation performance is rated as highly unsatisfactory due to delays in fund transfers and poor support to the Orissa Electricity Regulatory Commission (OERC) after the initial stages. Unsatisfactory ratings were also given to the Bank's performance, the Government of Orissa's overall performance, regulation, institutional reform, tariff reform, demand side management (DSM), investment[12] and developing private power distribution. Items which scored satisfactory ratings were employee training, Bank lending and the state's political commitment to initiate the project. And what are the causes for these unsatisfactory ratings? According to the World Bank, they are the 1999 super cyclone, the 2003 drought, fund flow delays, optimistic demand growth projections, no increase in tariff since 2001 and lack of ownership by the government. The report also mentions that the project plan was for US$ 997 million but actual spending was less than half that amount, at US$ 407 million.

Figure 24.1 captures two key parameters of the Orissa power sector: energy growth and transmission and distribution (T&D) loss. It can be seen that both these parameters did not behave as planned. Energy was expected to grow at 8.3 per cent per year whereas the growth was only 3.8 per cent. T&D loss was expected to be reduced to 20 per cent but continued to remain at over 40 per cent.[13] The sector was to make profits from 2001, but losses continue. Moreover, surveys indicate that the poor have been disconnected from the grid and there has been very little progress in rural electrification.[14] On the positive side, the Orissa reforms proved that unbundling was possible and also created the new institution of a regulatory commission.

Figure 24.1 Orissa: Plans and Performance



Source: Sihag, Misra and Sharma, 'Impact of Power Sector Reform on the Poor': Case-Study of South and South-East Asia', Energy for Sustainable Development, Vol. VIII, No. 4, December 2004 .

The state and central governments are now exploring ways to salvage the Orissa power sector. It has been acknowledged by all that the reform model followed in Orissa had many flaws and it cannot be blindly used elsewhere. This lesson has been learnt at a huge cost of more than Rs 2,000 crore (US$ 469.48 million) over six years, in spite of which several other states followed the Orissa model.

OTHER STATES

In a short span of five years (1996–2001), several states quickly followed the Orissa model of power sector reforms, before any results were visible. With World Bank support, these states included Haryana (1998, US$ 60m), Andhra Pradesh (1999, US$ 210m), Uttar Pradesh (2000, US$ 150m), Karnataka (2001, US$ 150m) and Rajasthan (2001, US$ 180m).[15] Madhya Pradesh, Gujarat and Kerala received ADB support. Put together, these nine states account for about 60 per cent of the area and population of India. State projects had components like T&D investment, metering, unbundling of electricity boards and setting up of regulatory commissions. Haryana had an Adaptable Programme Loan, which was to continue over many years. However, only the first instalment was taken. The World Bank's Implementation Completion Report (2001) rated the Haryana reform project as unsatisfactory and unsustainable. Similar comments were given in the report for Uttar Pradesh in 2005. The Rajasthan report (2007) rated the project as satisfactory.

It can be seen that out of the six states (Orissa, Haryana, Andhra Pradesh, Uttar Pradesh, Karnataka and Rajasthan) that took a World Bank loan as per World Bank's own assessments, only the Andhra Pradesh and Rajasthan projects have been rated satisfactory. It is interesting to note that the Andhra Pradesh government chose to reject several of the World Bank loan conditions, while in Orissa most of the reform measures/structural changes were done as envisaged in the World Bank model. The next section looks at the Andhra Pradesh reforms in some detail.

ANDHRA PRADESH REFORMS

Andhra Pradesh initially followed Orissa and Haryana in obtaining the World Bank's support for power reforms, but over time adopted a very different strategy. The World Bank released its Project Appraisal Document (PAD) for the Andhra Pradesh Power Sector Restructuring Project (APSRP) in January 1999. Running parallel to the Andhra Pradesh economic restructuring project covering many other infrastructure sectors funded by the World Bank and other agencies (national and international), APSRP had a ten-year project duration, starting from February 1999. The APL scheme was planned in five stages, APL-1 to APL-5. The total loan amount was US$ 4,460 m with the World Bank contributing 22 per cent of the amount.[16] At each stage, some conditions had to be satisfied to enable the state to become eligible for the next stage loan. These conditions included privatisation of distribution and generation, average annual tariff hikes of 15–20 per cent, implementation of cost-based tariffs and a reduction of government subsidy to zero.[17]

There was public opposition to this process, which reached its peak after a massive tariff hike (20 per cent average, 50–60 per cent for agriculture and poor domestic consumers) in 2000. This opposition and the failure of the Orissa reform put brakes on the Andhra Pradesh reform process. Distribution was corporatised in 2001, but not privatised (the plan was to privatise distribution by 2008). Tariff hikes have been nominal after 2000 and there have been no tariff hikes during 2004–7. The government subsidy has not vanished but has remained constant and still the sector finances have improved drastically, especially in terms of performance. The World Bank loan was suspended after APL-1, in 2003. Revenue has increased and the sector has posted profits three years in a row (2004–7). T&D losses and state subsidy have reduced. In addition, the Government of Andhra Pradesh announced its agriculture free power policy in 2004 quite against the World Bank's ideas on reforms. The Andhra Pradesh power sector has done well in terms of financial and technical efficiency.

The World Bank Implementation Completion Report (2003) rates the reform projects as satisfactory and likely to be sustained. It is happy with the support provided by the Government of Andhra Pradesh and notes the substantial progress in institutional development.

Andhra Pradesh has been a case of remarkable improvement in terms of financial and technical efficiency of the sector. Private players have entered into generation, but the bulk of the sector continues to be public-owned. A combination of management initiatives, capital investment, introduction of new technology and political support, along with employee cooperation, has resulted in this. Some problems like poor quality of supply in rural areas and absence of an integrated approach to planning continue to remain.

Critique of World Bank-Crafted Reforms

Many states have used the 'Orissa Model' for reforming their power sectors. After it became clear that the 'Orissa Model' has limitations, there has been some caution in blindly following it. However, two components (regulatory commission and unbundling) were taken up in reforms pursued vigorously by the central government since the late 1990s. Most of the twenty-eight states of India have established regulatory commissions and the Electricity Act was enacted by the central government in June 2003. The Act is very much in line with World Bank strategies for electricity sector reform. It is therefore important to look closely at the state sector reform process to understand the positives and negatives. This could give some idea on the possible alternatives to reforming the power sector, for which there is an urgent need.

Key Points

Non-participatory and hasty process: The entire process of evolution and detailing of the reform model was completed as an internal process and in an extremely hasty manner. The process was conducted without any semblance of public debate or participation. Further, as it is clear by now, the model lacked the sound analytical basis that was necessary to address the techno-economic and institutional complexities of the sector. Projecting privatisation as the solution to solving the inefficiencies of distribution and pushing the privatisation process is an example of this haste and lack of debate. As we have articulated elsewhere,[18] the reform model was not built through a consensus process, but rather consensus was sought for a prescribed reform model.

Regulatory system—An opportunity, but sabotage-prone: The regulatory system in this model is expected to play a critical role in discouraging non-competitive behaviour by market players. This has been a welcome step with opportunities for enhancing transparency, accountability and public participation. However, because of many lacunae—mainly capacity limitations combined with inadequate and discretionary provisions for transparency, accountability and public participation—these regulatory structures are prone to sabotage and hijacking by strong market players.[19] There is one crucially distinctive characteristic of independent regulation as envisaged by the pro-privatisation elements that largely subscribe to the World Bank's model of electricity sector reforms. In this model, the regulation is to be independent of the state (from political interference) and 'investor-friendly'. This is because the main objective guiding the design of the regulatory system in this scheme is to protect private players and investors from 'interference' from the state. Such a system will not automatically serve the purpose of protecting the interests of consumers and people in general and disadvantaged sections in particular. This is mainly because such a system does not pay the necessary attention to the special needs of these sections. Neither does it focus on creating space for these sections in the regulatory process and on building their capabilities to utilise this space. Compared to the earlier situation in power sector, some spaces for participating in governance (through transparency, accountability and participation provisions) were created. However, due to limited or lack of capacity of civil society organisations, lack of sensitivity of the authorities and lack of importance accorded to these, the spaces were not easy to access for consumer groups. This effectively excludes the small consumers and disadvantaged sections from participating in the 'independent' regulatory system. Thus, the new regulatory system has a danger of becoming an unrestricted domain for investors and private players who have space and the capabilities to participate in the regulatory system.[20]

Impact on developmental aspirations of the disadvantaged: The vast majority of disadvantaged people in developing countries who need electricity in order to increase productivity do not have access to these services. Over half of the rural population in India does not have an electricity connection. But the model treats electricity as a tradable commodity to be purchased, without subsidy, by those who can afford it. As a result, the model effectively puts severe constraints on the aspirations of disadvantaged sections which require electricity as a key input for their development but cannot afford to buy it at commercial prices. At a broad level, reports indicate that rural electrification efforts have slowed down.[21] The World Bank model had no special provision for a rapid increase in rural electrification. It was only a recent initiative by the Government of India that shifted focus to this with provision of a large subsidy to the tune of Rs 5,000 crore (about US$ 1.25 billion) per year for achieving full electrification of houses in five years.[22]

Lack of accountability of the World Bank: Consultants appointed as part of the project prepared the reform plan. It is said that the consultancy fees in the case of Orissa were to the tune of Rs 306 crore. At the end of the project, when the project had failed, the blame was put on the government role, external factors, optimism in planning and a lack of tariff rationalisation. This clearly demonstrates the absence of robust design and plans. The World Bank has multiple internal mechanisms for accountability but these are seen to have severe limitations. While one can argue that the government pays at least the political costs of their mistakes, the real victims are the Indian people who have to bear the burden of project failure and the repayment of loans.[23]

At the core of the critique of World Bank involvement is the issue of pinning accountability on the actions of the Bank. This can happen only if past projects are analysed from a public interest perspective, to understand their impacts and the causes of failures. New proposals from the Bank should be discussed thoroughly in public in a transparent manner before they are taken up. This alone can prevent costly irreversible mistakes like Orissa.

Limitations of the World Bank Approach

The World Bank reforms in the power sector were clearly focused on increasing investments and moving towards financial viability through a private sector-led model, tempered with competition. This market-oriented approach did not yield the expected outcomes. Even financial viability was not achieved for most utilities. It has been seen that mere changes in the ownership of utilities will not empower the consumers or public to effectively challenge the powerful alliances controlling the sector. Thus, there is no way that the stranglehold of these actors on the power sector will be released after privatisation. In fact, there is a danger that, with entry of the new powerful actors, the new and equally (if not more) powerful alliances of business interests, politicians and bureaucrats might take over the governance of the sector. The situation after the entry of Enron and other independent power projects (IPPs) has demonstrated that this apprehension is not ill founded. Thus, the solution of privatisation does not effectively address the core malady haunting the sector (namely the governance crisis manifested in the form of control of the power sector governance by an alliance of vested interests).

In any case, privatisation did not take off as suggested by the World Bank. Delhi has been the only other distribution sector to get privatised (2002) and that too through a process independent of the World Bank. The World Bank model did not succeed in creating sustainable democratic institutions and it neglected equity and environmental sustainability dimensions. The reforms were not crafted for the benefit of the poor (the poor were not at the centre of reforms). The poor were supposed to benefit through increased investment (and improved services) after the financial viability of the sector improved. This itself is a big limitation as the World Bank portrays 'the poor' as its main focus.

The key observations based on the decade-long World Bank-crafted power sector reforms are:

1. *Incomplete sector analysis*: The World Bank often follows a one-track mind, ignoring issues which do not suit its logical framework. With an enormous international database at its disposal, it did not analyse why IPP power was costly when the price of Combined Cycle Gas Turbines[24] (CCGT, on which most IPPs are based) was falling.[25] The World Bank did not promote Integrated Resource Planning towards rationalising generation capacity addition plans and promoting demand side management.[26] While promoting privatisation, no efforts were made to analyse the decades of Indian experience in private distribution.[27]
2 *Ignoring situational requirements*: World Bank polices and projects are based on its global approach to social issues. Sufficient emphasis is not given to local nuances. For example, strengthening the state-owned electricity boards for improving the sector did not figure in the World Bank agenda until recently. After privatisation failed to deliver, the World Bank Country Strategy and other documents mention the need to strengthen public institutions and say that the 'one-size-fits-all' policy of privatisation and liberalisation of electricity industries is not the perfect solution, as it was claimed to be.
3. *Positional bias*: The World Bank has been vocal when governments have taken stands which align with its own approach; for example promoting IPP projects, SEB unbundling, cross subsidy reduction and distribution privatisation. But it has been loudly silent when governments have taken anti-public interest actions like unfair IPP contracts.[28]

The World Bank portrays itself and is widely perceived as a 'Knowledge Bank'. Its outputs are widely read by bureaucrats and most mainstream actors. They are considered as 'state of the art', authentic and having rigour. Analysis of the power sector reform belies this image.

World Bank and Beyond

In the power sector, the World Bank has played an important role in shaping discourse, quite disproportionate to its loan amounts. While understanding the importance of the role of the World Bank in the Indian power sector, it should not be forgotten that there are also many other international financial institutions actively influencing the sector. These include multilateral agencies like ADB; bilateral agencies like the Japan Bank for International Cooperation (JBIC), the United States Agency for International Development (USAID), DfID and the Canadian International Development Agency (CIDA); and many export credit agencies. The World Bank has quite often influenced the approach of these actors.

This can be seen in the way policy, structural and ownership changes have been pushed. Examples are opening up the sector for privatisation, unbundling the SEBs, introduction of independent regulatory institutions and cross subsidy reduction. The 1990s marked direct active involvement of the World Bank in the power sector.

This has reduced in the current decade, but Indian policymakers seem to have internalised the key aspects of the World Bank approach. The Electricity Act 2003 passed by the Government of India is an embodiment of market-oriented reform of the power sector, quite in tune with the World Bank strategy, as are the Joint Venture transmission projects, massive capacity-addition plans (100,000 MW thermal and 50,000 MW hydro), Merchant Power Plants and Ultra Mega Power Projects. Even though the World Bank-led sector reform model has lost credibility, supply orientation and privatisation-led growth continue to mark the power sector policy framework today.

In this context, it is important to work out public interest-oriented models as an alternative to the World Bank model. This would involve steps to democratise governance (of public and private utilities) and building strong accountability measures.

Notes

1. Calculated from the World Bank's project search website, comparing sectoral data against the total for India during the years 1990–99. See http://go.worldbank.org/KPMUDAVVT0, accessed 15 September 2009.
2. Orissa Power Sector Restructuring Project, *Staff Appraisal Report*, New Delhi: World Bank, 1996, Table 3.2, p. 22.
3. World Bank, *Country Strategy for India*, Washington DC: The World Bank, 2004, pp. 50, 55 and 130.
4. This implies that the World Bank would promote privatisation of profit-making utilities. It will also support efforts to improve service delivery. The World Bank has held that subsidies in the energy sector are not reaching those who most need it and hence the suggestion of supporting measures to target subsidies better.
5. The separation between networks and production, trade, metering and sale of electricity is often referred to as 'unbundling'.
6. The World Bank feels that relief/ rehabilitation policies and practices have improved.
7. The concurrent list details the subjects on which both the central and state governments can adjudicate.
8. Planning Commission, *Annual Report on the Working of State Electricity Boards*, New Delhi: Government of India, 2001, Annexures 3.27 and 3.30.
9. Kanungo Committee, *Report of the Committee on Power Sector Reform in Orissa*, Bhubaneswar: Government of Orissa, 2002, Table in Section 4.5, p. 15.
10. 'A Reform Fiasco in Orissa', Vol. 19, No. 10, 11–24 May 2002, http://www.thehindu.com/fline/fl1910/19100420.htm, accessed 5 September 2009.
11. World Bank, Implementation Completion and Results Report, vol. 1, Report no. 30269, 9 December 2004, http://go.worldbank.org/1703C0W300, accessed 5 September 2009.
12. For example, the report says that the single largest investment, a 400-kV line, will not be used for four years. This clearly indicates improper investment, which counters one

of the main logics of World Bank involvement: rationalising investment and other key decisions.

13. A. R. Sihag, Neha Misra and Vivek Sharma, 'Impact of Power Sector Reform on the Poor: Case-Studies of South and South-East Asia', *Energy for Sustainable Development*, Vol. VIII, No. 4, 2004, pp. 59–62.
14. Ibid.
15. Project Information Document, *India-Karnataka Economic Restructuring*, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2001/06/27/000094946_01062104030562/Rendered/PDF/multi0page.pdf, accessed 5 September 2009.
16. Interestingly, the World Bank's contribution is 36 per cent in APL-1 and goes down to 13 per cent in APL-5. The other international lending agencies include DfID and Japanese Overseas Economic Cooperation Fund (OECF). The Indian agencies include the Government of Andhra Pradesh, Power Finance Corporation and Rural Electrification Corporation. See World Bank, Andhra Pradesh Power Sector Restructuring Project, 1999, http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P049537, accessed 5 September 2009.
17. Ibid.
18. N. Sreekumar, 'Reform of the Power Sector in Orissa, India', Prayas Energy Group, published in *Making it Flow: Learning from Commonwealth Experiences in Water and Electricity Provision*, London: Commonwealth Secretariat, 2005.
19. Energy Group, *A Good Beginning but Challenges Galore: A Survey Based Study of Resources, Transparency, and Public Participation in Electricity Regulatory Commissions in India*, Pune: Prayas, 2003.
20. Shantanu Dixit, Girish Sant and Subodh Wagle, 'Regulation in the WB-Orissa Model: Cure Worse Than Disease', *Economic and Political Weekly*, Vol. XXXIII, 17 April 1998, pp. 946–49.
21. See for example Kanungo Committee, *Report of the Committee on Power Sector Reform in Orissa*, Section 5.29.
22. Office memorandum on Rajiv Gandhi Grameen Vidyutikaran Yojana, Ministry of Power, 2005.
23. Some limitations of the internal accountability measures of the World Bank are pointed out in the Prayas review of the Bujagali Power Purchase Agreement. See Energy Group, *The Bujagali Power Purchase Agreement—An Independent Review: A Study of Techno-Economic Aspects of the Power Purchase Agreement of the Bujagali Hydroelectric Project in Uganda*, Pune: Prayas, 2002.
24. The small, modular and cheap gas turbine-based power plants introduced in the 1980s reversed the traditional trend of economies of scale in electricity generation.
25. For example, Prayas' analysis based on commercial databases had shown that the capital cost of Enron's India project was nearly double that of comparable projects, Prayas presentation to Godbole Committee (2001). See slides 31 and 32, http://prayaspune.org/peg/publications/erc_dpc_presn_031A01.pdf, accessed 25 March 2008.
26. All agree that there is a lot of potential to reduce generation capacity addition requirements by employing energy efficiency measures. An integrated planning approach involving energy efficiency and equal treatment of all generation options would have avoided costly IPP projects.

27. Shantanu Dixit, Girish Sant, Subodh Wagle and N. Sreekumar, *Performance of Private Electricity Distribution Utilities in India: Need for In-depth Review and Benchmarking*, Pune: Prayas, 2003, shows the mixed results on performance of public and private distribution utilities.
28. Having access to international data, the World Bank could have cautioned Indian utilities on unfair contract terms and the high cost of gas-based power. It chose not to do so.

25

The Privatisation of Water

SHRIPAD DHARMADHIKARY

Water is a basic human right. The privatisation of water gives responsibility for a life essential good to profit driven entities. This chapter rejects the premise that private firms should control water supply. The World Bank has been at the center of water privatisation drives through its own projects and via subsidiaries, such as The Public-Private Infrastructure Advisory Facility (PPIAF). The following paper discusses some of these projects in India and their impacts. The main paper looks at the sector as a whole, while the submissions which follow look at specific aspects. Following Dharmadhikary's overview, there are discussions of the impacts of World Bank water privatisation programs in Madhya Pradesh, Karnataka, and Mumbai.

Background

Since 1991, large-scale changes have been initiated in India's economy with the liberalisation, privatisation and globalisation of almost every aspect of the economy. These changes began with the power sector and, as acknowledged even at official levels, thirteen years after the blind and hasty liberalisation and privatisation, the power sector is now in a mess. Reforms have been a disaster, with severe power shortages and rapidly rising electricity tariffs, locking the country into expensive contracts for years to come. However, instead of learning from this experience, a similar process of liberalisation, privatisation and globalisation is now being undertaken in the water sector.

The World Bank's engagement in the water sector started in the 1950s and has contributed significantly to the creation of a water crisis in India. It has funded intensive irrigation projects and big dams. In the period from the 1950s to the 1990s, Bank loans resulted in large-scale displacement, unsustainable usage of water and widespread loss of land due to water logging and salinity. In the process, India has incurred nearly US$ 4,812 million of water-related loans at a rate of 11 per cent per annum and paid approximately US$ 530 million in annual interest.[1]

Since the 1990s, Bank lending to India in the water sector has slowly shifted from project loans to sector loans; that is, loans that fund sector-wide programmes rather than a specific project. With this, it has been using its influence and financial might to privatise public utilities and assets and to commodify water in both rural and urban areas.

Modes of Reforms

In India, reforms in the water sector are taking place via two methods. The first is outright privatisation of water services through either Build Own Transfer (BOT) projects or management contracts. This mode is being used for industrial water supply and urban water supply projects. The second mode, which is more insidious and will have a far-reaching impact, is through water sector policy reforms.

Outright Privatisation

This includes BOT projects, concessions, management contracts and private hydropower projects. Examples of ongoing and pending projects are: Shoenath River in Chhattisgarh, Tiruppur project in Tamil Nadu and the proposed private management contracts in K-East ward in Mumbai.

In addition, there are many private hydropower projects already built or under construction like Allain Duhangan in Himachal Pradesh, Vishnu Prayag in Uttarakhand and Maheshwar in Madhya Pradesh. The International Finance Corporation (IFC) is supporting the Allain Duhangan project and a detailed testimony on the project and people's struggle against it is presented by Himanshu Thakkar in this volume. As part of these private hydro projects, companies have been given control over rivers, severely impacting local populations both upstream and downstream. Table 25.1 lists the range and spread of privatisation projects in hydropower, water supply and sanitation.

Three examples of attempts at outright privatisation follow.

THE CASE OF THE PROPOSED PRIVATISATION OF DELHI JAL BOARD

The privatisation of the public water utility the Delhi Jal Board (DJB), was proposed under the World Bank-funded Delhi Water Supply and Sewerage Project (US$ 140 million). In 2002, the Bank gave a loan of US$ 2.5 million for a study on the reform and restructuring of the DJB. Price Waterhouse Coopers (PwC), the Bank's favoured consultant, conducted the study. It was later discovered that the study had been allotted to PWC in a skewed and non-transparent manner.[2] Some of the implications of reforming the DJB were:

- Handing over of water supply management of 21 DJB zones to private companies.
- Huge increases in expenses due to high management fees (Rs 5 crore per company per year) and lack of DJB control over the private companies' expense accounts.
- A rise in water tariffs by up to six times the prevailing rate (to Rs 1,200 per month in middle-class localities and Rs 350 per month in slums) to meet increased expenses.
- Retention of responsibility for the actual supply of water by the DJB, even though private companies would have been managing the supply.
- Introduction of bonuses for achieving essentially bogus targets, such as reductions in supply of non-revenue (generating) water (NRW).
- Extension of the time period for redress of grievances from 1–3 days to 20 days.
- No improvement in quality, as the private companies would use similar procedures and equipment to the DJB to test water quality.
- No free or subsidised water to poor and vulnerable sections of Delhi.
- Negligible accountability of the private companies.

For the testimony presented by Arvind Kejriwal on the DJB privatisation and subsequent campaign, please refer to his chapter in this volume.

THE ONGOING PROCESS FOR PRIVATISATION OF WATER DISTRIBUTION IN K-EAST WARD, MUMBAI

In January 2006, the World Bank awarded Castalia (a French consulting firm) the contract to develop a pilot project for privatisation of the water system in K-East Ward, Mumbai. The PPIAF, a multi-donor agency run by the World Bank and mandated to promote privatisation of services in developing countries, gave US$ 692,500 towards the project.

The population of the ward is around 1 million and it is one of the more profitable wards in Mumbai, in terms of collection of water supply charges. If successfully implemented, the pilot would have been extended to the whole city. However, due to growing opposition to the privatisation, the Municipal Corporation of Greater Mumbai asked Castalia to suggest alternative options to privatisation. Despite the opposition, various options recently presented by the consultants showed a clear preference for private involvement in operations.

Mumbai Pani is a campaign group opposing the privatisation process. Sitaram Shelar's testimony on their struggle follows this essay.

SWAJALDHARA (THE RURAL WATER SUPPLY PROGRAMME)

Swajaldhara is one of the World Bank's widely implemented interventions in the rural water supply sector. The scheme is being implemented across many states in India for the improvement of access to safe and clean drinking water in villages. Reports and studies suggest that the programme is following the principles of full recovery of operation and maintenance costs and expects some contribution to the capital expenses of the scheme from the villagers.

In Uttarakhand and Uttar Pradesh, the World Bank scheme is called Swajal. The Bank is contributing 84 per cent of the total implementation cost of US$ 71 million (1996–2002). The state government's share is 5 per cent. The rest of the cost, that is, US$ 7.64 million, has to be borne by the user groups. The user groups also have to cover the cost of operation and management from the initiation of the project.[3]

People who are not able to pay are left out of the scheme and have to find their own sources of water. Reports also suggest that quite a few of the schemes have fallen into the hands of local strongmen or private contractors, who charge people for supplying water in addition to the capital expense charges.

Reforms and Restructuring

Water sector reforms or restructuring are following the same lines as power sector reforms in India and, indeed, are similar to Bank-implemented water sector reforms all over the world. These policies, pushed by the World Bank and Asian Development Bank (ADB), have the underlying thrust of converting the whole sector into a market.

The water sector in India desperately needs reform. However, World Bank-led prescriptions invariably mean transformation of the water sector into a commercial operation. This takes the supply of clean and safe drinking water and water for irrigation from being a social responsibility to merely being a commodity to be bought and sold. These reforms usually include:

- Unbundling (separation of source, transmission and distribution of water)
- Introduction of an independent regulator, to free the sector from 'political interference'
- Steeply increasing tariffs
- Full cost recovery
- Elimination of subsidies
- Cutting off of supplies for non-payment
- Retrenchment of staff
- Private sector participation and public-private partnerships
- Allocation of water to the highest value use through market mechanisms
- Policy prescriptions, restructuring processes and even legislation being drafted by highly expensive international consultants

The World Bank, ADB and the British government's Department for International Development (DfID) are all involved in pushing these policies.[4]

The Government of India has also taken many measures for privatisation and commercialisation in the water sector:

- 1991: the power sector was opened for privatisation with PSPs in hydropower
- 2002: a new water policy called for PSPs in water
- 2004: guidelines were given for urban water and sanitation sector reforms and PPPs
- 2005: financial support was given to bridge the 'Viability Gap'[5] of private projects
- 2005: PSPs in urban water supply were pushed through the Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

While reforms are supposed to be a solution to water problems, they are mostly only concerned with the financial aspects. Moreover, these reforms are hardly ever based on detailed studies of the root causes of water problems. Studies are conducted with recommendations already known. Thus, the same sets of reforms are prescribed not just for different parts of one country but also different parts of the world.

Since water is a state matter, a major part of reforms have been carried out and are ongoing at the state level. States undergoing the most extensive and comprehensive reforms include Madhya Pradesh, Maharashtra and Karnataka.

MADHYA PRADESH WATER SECTOR REFORMS

The water sector in Madhya Pradesh is being restructured under the Madhya Pradesh Water Sector Restructuring Project (MPWSRP) loan (US$ 396 million) given by the World Bank to the Government of Madhya Pradesh in 2005.

In line with the previously mentioned Bank-led prescriptions for water sector reform, the implications of the MPWSRP include commercialisation of the water sector, full cost recovery and an increase in tariffs and elimination of subsidies. An independent regulator is to be created in the form of the State Water Tariff Regulatory Commission (SWaTReC) and the State Water Resources Agency (SWaRA) is to be constituted. Irrigation is slated for privatisation with one medium and twenty-five minor irrigation schemes in the first phase. In addition, large-scale retrenchment of water services staff is also a part of the project. These activities are to be made possible through the introduction of new legislation, a conditionality of the project.

A testimony on the impacts of the Madhya Pradesh water sector reforms follows this essay.

MAHARASHTRA WATER RESOURCES REGULATORY AUTHORITY (MWRRA)

In the neighbouring state of Maharashtra, under the reforms and restructuring project funded by the World Bank, the water regulator (the Maharashtra Water Resources Regulatory Authority [MWRRA]) was constituted in June 2005 and started work in May 2006. Apart from tariff-setting, one of the principle functions of the authority is to determine water entitlements for various categories of use and users, and 'to fix the criteria for trading of water entitlements or quotas on an annual or seasonal basis by a water entitlement holder'.[6] In other words, the authority was responsible for setting up a market for water entitlements.

Impacts of Reforms and Restructuring

The impacts of 'reforms' have been felt by all sections of society, but poor families and vulnerable sectors like agriculture have been worst hit. Impacts, many of which are already being felt, will include the following:

- A severe increase in price hikes leading to many not being able to afford even water for domestic use.
- Non-payment or inability to pay, leading to disconnection.
- Disconnection means people will shift to a supply of less quality if available or there will be serious political unrest.
- The agriculture sector, already in severe crisis, will be pushed further into distress, as water prices for irrigation rise.
- Dismantling of common public facilities meant for the poor, like hand pumps and public stand posts.
- Transformation of the system to cater only to paying customers. Those who cannot pay the (steep and rising) charges, will be thrown out or on the periphery.
- Ultimately, water resources will be captured by those who can pay.
- Huge profiteering by private companies.
- Sale of public infrastructure built over generations with the use of public money for a pittance.
- Likely private control of community sources of water like groundwater and rivers.
- Large-scale retrenchment of public sector workers.
- Little likelihood of major problems of the sector being solved, including financial problems, quantity and quality of supply, equitable and affordable supply, and protection, enhancement and sustainable use of resources.

Why Reforms?

There has been a shift in the discourse and practice of privatisation of water in the last few years. Initial attempts at classic, direct privatisation resulted in a huge political backlash all over the world. Many companies also found it not easy to make profits. Making profits needed higher tariffs, which poor people could not afford. Continuing supply to such customers led to a decrease in profits but disconnection led to social unrest.

The political backlash and difficulty in making profits resulted in a shift in rhetoric to 'pro-poor' privatisation and PPPs (where the public takes the risks and the private sector takes the profits). However, in spite of all these initiatives, the political backlash and difficulties in getting a good rate of return did not go away.

As a result, a new strategy of 'sector reforms' was introduced. This involves government and public bodies taking responsibility for and implementing unpopular and harsh decisions, such as those outlined earlier. The central idea is to make the sector fully commercial, but the government, not the private sector, would take the blame and political backlash. The private sector is brought in only after this has taken place. This is the route now taken to ensure private profits and to protect the private sector from the burden and risks of social responsibility.

It is also important to view water sector reforms as a direct fall-out from the larger neo-liberal agenda of globalisation and privatisation. While the Bank is one of the largest players, this reform model is also actively supported and financed by a consortium of bilateral funding agencies, among them the USAID, and DfID.

In addition, in recent years a plethora of multi-donor institutions have been created which work in the area of water supply and sanitation. Most of these, if not pursuing it as their major aim, at least include some funding for increasing private sector provision of water and sanitation services and reforms. These multi-donor initiatives include:

- Public-Private Infrastructure Advisory Facility (PPIAF)
- Water and Sanitation Programme (WSP)
- Private Infrastructure Development Group (PIDG)
- Public-Private Partnership for the Urban Environment (PPPUE)

The World Bank as a 'Knowledge Creator'

Lastly, the World Bank, along with some of other bilateral donors, is playing another very significant role in water sector privatisation and commercialisation. That role is in the creation of the 'intellectual' and other support to build up the rationale and justification for privatisation through 'research' and 'studies'.

Water sector reforms are being forced upon India as 'solutions' to deep-rooted and long-standing problems. To make these policy prescriptions appear as solutions, the World Bank has been carrying out huge amounts of research and studies, either on its own or through consultants.[7] This 'knowledge' generated by the Bank is seriously flawed and created through processes that exclude the common people.

In Conclusion

The transformation of the water sector into a commercial operation and the creation of tradable water entitlements serve several purposes. First, it changes water from being a right to an entitlement that can be purchased or sold. Second, it makes it easier to bypass conflicts involving water resources, as the more powerful simply purchase it. Last but not least, transformation of water into a market and making water sources and entitlements tradable create huge opportunities for business and profits, opportunities that a resource provided free by nature is bound to restrict.

However, water as a basic right is enshrined in various international covenants and treaties and in many national laws, in particular the UN International Covenant on Economic and Social and Cultural Rights 1966 (General Comment 15 of 2002).

Further movements in Bolivia, Cuba, Venezuela, Uruguay and several other parts of the world are reasserting that every person in the world has a fundamental right to water and put back the responsibility to ensure this right squarely onto the state. Only this, and not privatisation and profits, can be the real foundation of ensuring water for all.

Presented in the following are three testimonies that were presented at the Tribunal by grassroots activists and groups who have been adversely impacted by the water reform process.

The Impacts of Water Reforms in Madhya Pradesh

REHMAT

Rehmat has worked as a full time activist with the Narmada Bachao Andolan for more than 10 years. He now works with Manthan Adhyayan Kendra, Badwani. He contributed *to Unravelling Bhakra* a post-facto study on Bhakra Nangal dam. He co-authored a book *Water: Private, Limited on Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*. He is currently involved in continuous monitoring of the water reforms projects in MP.

The loan that is proposed in the M.P. Water Sector Reforms by the World Bank is US$ 439 million. This loan will cover thirty districts in M.P. cutting across the five river basins of Chambal, Sindh, Tons, Betwa and Ken, covering almost half of M.P. It is claimed that it will irrigate 4.95 lakh hectares.

While the loan covers only these five river basins, the conditionalities of this loan propose widespread changes in water policy and legislation, which will have a much wider impact than the immediate area covering the loan. The project was given approval in September 2004.

Among the several conditionalities of the loan, the main thrust is to create one department that deals with all water-related issues and policies. Currently the allocation and distribution of water are being handled by several ministries like the Ministry of Irrigation and the Urban Development Ministry, but the loan conditionalities endeavour to create one unitary institution.

As it happened when the power sector was opened up for privatisation, here too there is a push towards asking the state to put in place a water regulatory authority in MP. They are also asking to create basin development boards for Sindh and Tons and for the rationalisation of irrigation prices.

As far as the delivery of irrigation is concerned, the Bank claims that the reforms will make the service provider more responsible. Efficiency is the main buzzword of this loan and the documents state that while the supply of water remains with the public sector, there will be no efficiency as the public sector service provider is inefficient, is facing a resource crunch and lacks knowledge. Thus, this loan pushes for the opening up of the water sector and the creation of private-public partnerships.

There is also the usual criticism that the public sector spends more on establishment costs and then is unable to take care of the operation and maintenance of projects and that all the stakeholders are not catered to. Several similar arguments are being put forward to blame the public sector for not delivering services and hence a reason to open the sector for private participation.

The main result of this loan is the increased privatisation and commercialisation of a public good. The Bank claims in its Country Assistance Strategy 2001 that it is doing this to reach out to the poor person and to remove poverty, but on the other hand advocates privatisation and commercialisation, which will only serve to alienate the poor person who cannot afford to buy water.

Tariff regulation will be in the hands of the regulatory agencies which will side step the existing mechanism to voice and redress grievances and accountability. It will go into a regulatory framework similar to what we have seen in the electricity sector, where it is almost impossible for the common man to get any form of redress.

Retrenchment of approximately 4,500 staff in the water resource department is also another conditionality of the loan. A voluntary retirement scheme has been calculated into the loan. The project asks the public sector to cut costs and share the burden by retrenching a portion of the currently employed staff. The provision made for the voluntary retirement scheme is US$ 13 million to retrench 1,000 staff. While on the other hand, the provision made for consultants is US$ 21.8 million.

The conditionalities of this loan severely undermine democracy, as it is now the Bank that drafts and formulates legislation in our state and not the democratically elected bodies. For example, on the day the Memorandum of Understanding for the Bank loan was signed, M.P. got its new Irrigation Act. Thereafter, on 15 November 2005, the state government agreed to increase the irrigation tariff by 20 per cent annually.

While there is a conditionality for putting in place a Water Regulatory Authority Act for M.P., so far the government has not been able to promulgate this law. However, in March 2006, the chief minister made a public statement that a committee had been constituted that will draft and put in place a Water Regulatory Authority. The Draft Bill (Legislation) for the Water Tariff Regulatory Authority had to be ready by December 2005, and as per information received by us under the Right to Information

Act, the draft was ready in March 2006. However, it has not yet been presented in the Assembly. Now an Empowered Committee has been set up, headed by the chief minister, to finalise the Bill and work for its early enactment. The Committee has six members, including the minister for urban administration and the secretary of the same ministry. A similar loan given by the ADB for the urban water sector in M.P. also has a similar conditionality, and the ADB too in its loan talks about the need to rationalise tariff.

On the face of it, the World Bank is saying that water users associations can also go in for operating and owning an irrigation project and they, rather than commercial groups, can become service providers. However, in the last two years we have been observing the operation and functioning of the water users associations and committees in M.P. and have seen that it is impossible for these associations to exercise their ownership of the resources and it will be opened for private profiteers to exploit the sector.

Even on the water users associations' front, we have seen in the last two years that while claims have been made that the election process would be transparent, people friendly and even a lay person would be able to stand for those elections, the experience shows that the mainstream political parties and their lobbies influence the process and it is not easy for a common person to become a part of the water users associations.

The reforms will also lead to a big change in cropping pattern. It will push for mono-cropping and it will also have negative impact on crop diversity. The loan claims it will increase crop diversity but how is that possible when people will only be able to grow cash crops to afford the costs of irrigation?

The Campaign against Water Privatisation in Karnataka

ISAAC

Isaac is a grassroots activist who works with the urban poor, specifically street children. He is currently actively involved with Campaign against Water Privatisation, Karnataka.

This testimony will discuss a project in Karnataka for privatising water supply services called Greater Bangalore Water Supply and Sanitation Project (GBWASP).

In north Karnataka, the water supply of four cities has already been privatised. A company called Viola, a French multinational, has been given the contract but the citizens have not been consulted in this process. They did not know that their water supply was being privatised and even the elected representatives were not consulted.

Water is a natural limited resource but there is also a cultural significance attached to water in our country; it is considered a goddess and divine being, a gift of nature. It is not a commodity to bought and sold. All human beings have a right to water but many people in India do not have effective water supply. The poor especially need to have better access to government water supply but does it mean that companies have a right to profit from it? Around the world there has never been any instance of any of these private companies delivering water supply effectively. It has only meant disaster for people around the world, whether it was Suez or Thames Water or Viola or Bechtel, and it has always meant higher prices, increased disconnections and lower water quality. These private companies are being supported by international agencies like the World Bank.

The GBWASB, which is a public sector board, is one of the highest rated water boards in India. It is a one of the only profit-making water boards in India but even this board is not successful in supplying water to the poor effectively. Most of the poor are dependent on public taps, illegal connections or bore well water. As the governance of Bangalore is becoming more and more corporate dominated, the poor are increasingly being disconnected from even the existing systems of water supply. For example, 3,500 public taps have been disconnected on the grounds that the Bangalore Municipal Cooperation has not paid for water to BWSSB and backed by the feeling that the poor who are getting water from these public taps are wasting the water.

A perception is being propagated that the poor are willing to pay for water and that they need to become more responsible users of water. In this regard, an experiment was conducted in three slums, through an AusAID project, to provide water to the urban poor. In these three slums, Rs 4.5 crore was spent on information, education and communication to convince the slum dwellers that they should pay for water. This pilot project was implemented in three slums and it was used as an example to extend it to twenty-three other slums on the premise that people are willing to pay. But even after 100 per cent metering in these twenty-three slums, they are not receiving a regular supply of water.

Now there is new project called the Greater Bangalore Water and Sanitation Project which is being implemented in the peri-urban areas of Bangalore City. The project plans to spend Rs 3,500 crore under a Japanese loan, Rs 150 crore is to be raised from beneficiaries and Rs 250 crore is to be given by the state government. However, even though the money is being raised locally, the operation and maintenance (O&M) is to be privatised by calling for a global tender. Why, when the money is being raised locally should a global tender be called and O&M privatised? Also 50 per cent of the people in this area are the urban poor but no pro-poor policy has been published. How the poor will pay for this has not been clarified.

There are 350 elected representatives in these peri-urban areas, which consist of seven City Municipal Councils (CMC) and one Town Municipal Council (TMC). But none of these 350 elected representatives are aware of this privatisation plan and the

CMCs and TMC have been made to pass a resolution which simply says that they accept this privatisation plan in spite of none of them being aware of the details.

In order to oppose this privatisation plan, forty-eight organisations including Dalit movements, left parties, human rights organisations, intellectuals and non-governmental organisations (NGOs) got together. We started this campaign against water privatisation and it has been propagating the fact that water is not a commodity and that the urban poor must be given access to water. In north Karnataka, we have been spearheading these movements in four cities. Our stance is that water is a right and not a commodity to be bought and sold, that it is government's responsibility to supply drinking water to all and that the government cannot delegate this responsibility to private companies.

In November 2005, we started this campaign and more than 2,000 people attended its inauguration. We started by burning the privatisation memorandum of understanding (MoU) in the centre of the city. Then in July 2006, a six-day *pad yatra* (a march on foot) around Greater Bangalore area was organised in all the seven CMCs and one TMC. It ended with a mass demonstration in front of the chief minister's house. We have held several public meetings, we have given petitions and appeals to MPs, MLAs and local corporators, and we have protested against an NGO which was hired to sell the GBWSSP to the people and to get the beneficiary contribution from the people.

In this information technology (IT) city called Bangalore, even to make to a side drain we need a World Bank loan. They (government) are not able de-silt a drain without a foreign expert coming in to tell us how to do these things. What are the Indian Institute of Science and Indian Institute of Management, which are based in this hi-tech city, doing? Do they not have the expertise to provide basic necessities to everybody, especially the urban poor? Do we need the International Finance Corporation (IFC) to come and design how to deliver water to the urban poor?

Since 2005, they (government) have been saying that they will prepare a water policy for the urban poor but since three years there is no sign of this urban poor policy, whereas all things that are pro-industry or pro-IT sector are decided in three months. For the poor they are not able to provide basic amenities even after three years. Actually several bureaucrats and officials are also not in favour of the privatisation of water. The employees of the Karnataka Urban Infrastructure Development and Finance Cooperation (KUIDFC), which is the nodal agency for implementing the GBWSSP project, are also against privatisation of O&M. They are supporting us and they are willing to give us any documents that we want. We are only asking for a pro-poor policy to be evolved and made public.

To conclude what we are saying is that privatisation is not a panacea, there are other methods that one can evolve to meet the needs of the poor. There is definitely a need for improving the supply to the poor but not through the IFC, the World Bank or any other private body.

Privatising K-West Ward in Mumbai, by Sita Ram Saler

(Sitaram Saler is a representative of Mumbai Pani, a collective of citizen's groups organised to oppose the proposal to privatise water in Mumbai.)

(Song)

Jagira Sara rra, Jagira Sara rra
World Bank ke gate par khada ek insaan
Hum ne pucha naam to bola main hoon Hindustan,
Hum ne pucha naam to bola main hoon Hindustan,

Katora liye khada tha
Katora liye khada tha
Katora liye khada tha
Katora liye khada tha

Jagira Sara rra, Jagira Sara rra
Jagira Sara rra, Jagira Sara rra
Jagira Sara rra, Jagira Sara rra

Coca Cola, Pepsi Cola, tarah tarah ka Cola
tarah tarah ka Cola, behana, tarah tarah ka Cola
Lekin paani gayab paya jab bhi nal ko khola

Jagira Sara rra, Jagira Sara rra
Jagira Sara rra, Jagira Sara rra
Jagira Sara rra, Jagira Sara rra.

(Translation of the song)

Jagira Sara rra, Jagira Sara rra
A person was standing with a bowl in his hands (for begging)
at the gates of World Bank
We asked what is his name, he replied (Hindustan) India
He was standing with a bowl in his hands (for begging)
Jagira Sara rra, Jagira Sara rra
There is Coca Cola, there is Pepsi Cola and there are various other Colas (different international drinks in India)
But there is no water in our taps
Jagira Sara rra, Jagira Sara rra

In Indian tradition, water is revered as an important and sacred part of our faith but at the same time tradition is discriminatory and denies water to certain sects of people (like Dalits). Now we see a new version of this discrimination, as is the experience of Mumbai, which I am going to present to you.

Mumbai is considered the economic capital of India and is also famous for Bollywood. Mumbai has a population of 1.25 crore. About 60 per cent of the population lives in slums. It is the municipality that supplies water to all of them. This Mumbai Municipal Corporation supplies water to one of the largest populations in the world. This is not only the largest water-supplying municipality in Asia, but it is also one of most efficient municipalities too. This is not my quote but even the World Bank claims this. That is the reason why they keep calling hydraulic engineers from different parts of the world and ask the Mumbai municipality to demonstrate how to work efficiently. Mumbai does not have the large water reserves to sustain its needs. All the water for Mumbai city comes from lakes far outside the city.

The World Bank has helped technically and financially in various water projects. Now the Mumbai Municipal Corporation has become rich, we have lots of donors, so the World Bank is back again with a new method to lend to the municipality. The then Mumbai Municipal Commissioner, Vidhya Dhar Kale conveyed to the World Bank explicitly that we do not want any loans right now, we have enough money. But as soon he retired and the neo-economic policies of 1990s were undertaken, the corporation succumbed to the loan trap of the World Bank in 2004. That year the agreement was signed.

The agreement said that the corporation would undertake a pilot study and then a pilot project that will look into the possibilities of privatisation of water and improving the quality of water. The K-East ward was selected to undertake this privatisation study. The name of the project was a Pilot Project for Water Privatisation in K East. Later on, due to the controversy with the DJB privatisation, this project's name was changed and a new name was given: Water Distribution Improvement Project. But the content and thrust of the project remained the same.

From then onwards the municipality started taking loans from the World Bank. The proposal was put before the Standing Committee[8] and it was passed for a mere Rs 3.25 crore. This amount is peanuts for the corporation. All of us know the politics behind this. This grant was accepted only because of constant pressure from the World Bank. Then the World Bank again directed the Mumbai municipality to take a loan from PPIAF. PPIAF, as we all know, is a child of the Bank that assists and promotes privatisation. After this loan was taken, the Bank declared that this money will be used to do a study. How the study will be conducted and who will do it, only the Bank will decide. Subsequently the Bank, not the corporation, chose Castalia as a consultant to do this study.

The preamble of the agreement says,

> The Municipal Corporation of Greater Mumbai (MCGM) wishes to adopt new technologies and management methods to improve the management and distribution of water. It has decided to start with a pilot project in K East ward to test new approaches. To this end MCGM through the government of Maharashtra and Government of India has approached PPIAF for grant funding for technical assistance. Under the rules of PPIF the World Bank will be the executing agency for the grant on the behalf of MCGM.

The World Bank has now started working on behalf of MCGM.

When questioned about the need for improvement, the Bank claimed that there was a problem of leakage and contamination in the pipelines. The second reason they claim is that the municipality cannot provide 24x7 water supply. The meters do not work. MCGM cannot provide proper customer care. We (Mumbai Pani) had a fierce debate on this. We said: do you know we are citizens, not customers. The project's main objective is for MCGM to award a demonstration project to a private operator in a select area to show that it is possible to achieve better distribution over a period of time with limited investment.

When we questioned the proposal saying that it is a method to promote privatisation, the MCGM said no, it is only a study. When we asked them to tell us when and by what date the study will be completed, the MCGM officials said that the study will be conducted in three phases. The first phase will involve a discussion and feedback with all the stakeholders, common people and unions to understand the problem and what changes need to be brought about. The second phase will put down what needs to be done and then a bid will be prepared, after which discussions will be initiated with companies who are likely candidates to carry out this proposal. Lastly, negotiations will be carried out with the companies that are short-listed. Now, is this a study or a contract?

The then World Bank representative Shamal Sarkar asked us not to be bothered about what the MCGM said but to look at the terms of reference. We asked them if the political representatives had been consulted. When we approached the political representatives, they were unaware of the details but tried to convince us that they would not let anything adverse happen. We strongly feel that it is a complete betrayal and subversion of our democratic processes for an international agency to come and decide what we should do. Our corporators are called to inaugurate a function but they have no real information. Second, the Bank claims that there will be dialogue with the common people. Yet every time there is a function or inauguration, on the dais will be representatives of the Bank, PPIAF and the Municipal Corporation but never any common people. Nor are they called to elicit their responses. If at all they are allowed to speak, the minutes say some anti-social elements disrupted the proceedings and therefore the meeting was brought to an end.

Now a report has been published by Castalia after much delay. The report was very vague. It said that we feel there is leakage but we have not been able to find the leakage. We feel there is contamination but after four tests we have not found the contamination. After spending Rs 3.5 crore, this is the result. In the report they say that there is likelihood of a number of illegal connections and it could increase. We say, 'There are illegal connections, in our Bastis[9] in our slums.' But the Castalia report says we cannot find the illegal connections because the municipality does not show them to us. After Rs 3.5 crore of public money has been spent, the report reads like a child has written it.

Table 25.1 List of States and Water Sector Reforms in India as of July 2009

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
Andhra Pradesh	WB - Andhra Pradesh District Poverty Initiatives Project, Loan Amount - US$ 111 m, Approval Date - 11 Apr 2000, Project ID - P045049	Institutional reforms proposed like Mandal Community Support Cells, State Steering Committee, District Advisory Committees, Mandal Committees and Village working groups (Water User Association capacity development) are also proposed.	Closed
	WB - Andhra Pradesh Rural Water Supply & Sanitation Project, Loan Amount - US$ 150 m, Approval Date - NA, Project ID – P101650	State Water and Sanitation Mission and District Water and Sanitation Mission established for implementing Swajal Dhara Program and Total Sanitation Campaign.	Proposed
	WB - Andhra Pradesh Water Sector Improvement Project, Loan Amount - US$ 435 m, Approval Date -NA, Project ID – P100954	Role and participation of Water User Associations, operationalisation of Regulatory Framework and establishment of Project Preparation and Management Unit.	Proposed
	WB - Andhra Pradesh Community Based Tank Management Project, Loan Amount - US$ 189 m, Approval Date - 19 April 2007, Project ID - P100789	Proposed reforms in management of Community based tanks. Technical assistance would be given for preparation, implementation and monitoring of Tank improvement and Management Plans. Collection of water charges. Capacity building of Water Users Associations. The overall responsibility for project implementation and coordination would rest with the Command Area Development Authority (CADA) in the Irrigation and Command Area Development (I&CAD) Department of GoAP. Implementation support, required primarily at the district level, would be provided by the Departments of Agriculture, Horticulture, Animal Husbandry, Fisheries, Forestry, Rural Development, Groundwater and private service providers.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WB - Andhra Pradesh Urban Reform and Municipal Services Project, Loan Amount - US$ 144 m Approval Date - N/A, Project ID - P071250	Proposed Legal and Institutional Reforms. Technical assistance for legal instruments (regulations, decrees, etc) and the preparation of studies, manuals, guidelines, and other materials for water and sanitation services.	Proposed
	WB- Andhra Pradesh Municipal Development Project Loan Amount-US$ 300 m,Approval Date-June 18, 2009,Project ID-P071250	The project consists of three technical assistance and one investment components. Studies and TA for State Level Policy and Institutional Development Support, Technical assistance for preparation and implementation of institutional, financial and operational improvements tailored to individual ULBs and Project Management Technical Assistance for ensuring the quality of subproject preparation, implementation, and monitoring. At present, out of 80 ULB's over 50 ULBs are judged to meet the financial eligibility criteria.	Proposed
Delhi	WB Loan for US$ 2.5 m in 2002 to conduct a study for the reforms and restructuring of Delhi Jal Board.	Roadmap for full scale reforms, price hike in December 2004, privatisation tenders in January 2005, proposed changes in legal regime, possible state water regulatory commission. The proposal for the World Bank Loan is on hold due to strong protests.	Closed
	WB - Delhi Water Supply & Sewerage Loan Amount- US$ 140 m, Approval Date- N/A, Project ID- P067215	Administrative reforms proposed. Possible reforms in staff retrenchment, full cost recovery through user charges.	Dropped
Goa	WSP supported water and sanitation institutional reforms projects.	Water and sanitation sector reforms including a project for restructuring of water and sanitation set up in the state under the Water and Sanitation Programme (WSP) of the World Bank.	

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
Gujarat	WB - Gujarat Urban Development Program, Loan Amount - US$ 130 m, Approval Date - N/A, Project ID - P094722	Project implementation to involve urban water and sanitation sector. The ULB reforms implemented will be consistent with GOI's National Urban Renewal Mission (NURM) program. Involvement of private sector participation will be encouraged. Additionally Gujarat is on its way to establish a Water Regulatory Authority to determine water distribution and tariffs.	Proposed
	PPIAF - Public-Private Partnership for Improving Service Delivery in Water Supply and Sanitation in Gujarat, Technical Assistance - Grant Amount - US$ 178, 400 Approval Date - 30 December 2005, Co financing from Other Sources: US$ 109, 900	Study to Explore Options for Public-Private Partnerships (PPP) to Improve Water Supply and Sanitation Services in WSS in Gujarat in Gandhinagar and the urban agglomerations of Western Ahmedabad Urban Development Authority (AUDA). It involves an assessment of current water supply and sewerage infrastructure, services and institutions in the two cities; a feasibility study for improving delivery of services; consultation with stakeholders including consumers to incorporate their views on levels of services expected and options for achieving these improvements; and recommendations for appropriate institutional options.	Active
	WSP - UWSS Reform Frameworks Activity 7 - Assistance to Govt. of Gujarat (GoG) in promoting Public-Private Partnerships (PPPs) in the WSS sector across the state Partners - PPIAF, IFC, DFID Start Date: Jul 04, End Date: Jun 08	GoG is proposing to explore the involvement of private sector in the provision and management of WSS services in two urban centers – Gandhinagar, and Western Ahmedabad Urban Development Authority (AUDA) area on the outskirts of Ahmedabad - with the objective of providing safe, reliable and continuous water supply and high quality sewerage services. WSP in collaboration with PPIAF is assisting GoG in carrying out an overall study of Gandhinagar and Western AUDA to assess the current status of WSS infrastructure, services and institutions, establish a broad baseline, and identify and evaluate various PPP options for provision of WSS services. This study will encompass the assessment of following aspects pertaining to the provision of WSS services in the two cities: technical, demand and willingness to pay, institutional and organisational, financial and commercial, legal and regulatory and communications and stakeholder consultation.	Closed

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
Haryana	WSP supported water and sanitation institutional and fiscal reforms under UWSS Reform Frameworks project.	WSP-SA has been providing analytical and advisory support to Government of Haryana through a current sector assessment of the WSS sector for implementing a statewide UWSS reform policy (including regulatory frameworks and restructuring of service providers).	Active
Karnataka	WB - Karnataka Urban Water Sector Improvement, Loan Amount - US$ 39.5 m, Approval Date - 8 April 2004, Project ID - P082510	The Water Sector Improvement Project to initiate urban reforms process in Karnataka. Under this project the pilot privatised water distribution and management contract is underway in Hubli-Dharwad municipal corporation.A Demonstration Project has been completed in 5 Demonstration Zones spread over Belgaum, Gulbarga and Hubli-Dharwad city ULB's. Continuous pressured (24x7) water supply has been operationalised in these Demonstration Zones in April 2008. Based on the success of this pilot project, Govt. of Karnataka intends to upscale 24x7 water supply to the entire areas of the above ULBs. Invitation for Submission of Expression of Interest is in process for the consultancy services which shall include (1) Preparation of Project Reports for Up-Scaling of 24x7 Water Supply to cover the entire corporation areas of Belgaum, Gulbarga and Hubli-Dharwad cities and (2) Transaction Support including financial, and institutional feasibility aspects, preparation of Draft Contract, Bidding Documents, and assistance in Bidding process till award of Contract on PPP basis. The Project Management Unit now invites eligible consultants to indicate their interest in providing the services.	Closed
	WB - Karnataka Municipal Reform Project, Loan Amount - US$ 216 m, Approval Date - March 2006, Project ID - P079675	Proposed financial reforms. Funds would be provided for conducting studies related to ULB financed technical assistance to town planning.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WB - Karnataka Panchayats Strengthening Project, Loan Amount - US$ 120 m, Approval Date -June 2006, Project ID - P078832	Providing assistance to organisations of poor people to manage the technical assistance funds to assist with reform of line agencies. The Decentralisation Cell within the Department of Finance would be responsible for releasing funds to Panchayats, implement and operate a Monitoring and Evaluation System on Panchayat's fiscal and service delivery performance, and carry out specific studies and analyses to support policy-making related to decentralisation.	Active
	WB - Second Karnataka Rural Water Supply and Sanitation Project, Loan Amount - US$ 151.6 m, Approval Date - 18 Dec 2001, Project ID - P050653	Collection of user charges. Private sector consulting firms would provide assistance in computerised financial management systems, audits and accounts, independent construction quality monitoring, management information systems, Monitoring and Evaluation systems and processes, and in sector strengthening activities.	Active
	WB - Karnataka Community Based Tank Management Project, Loan Amount - US$ 98.9 m, Approval Date - 25 Apr 2002, Project ID – P071033	Proposed Institutional reforms. Tank User Groups would be formed on the lines of Water Users Associations.	Active
	WB - Karnataka Municipal Water Energy Efficiency Project Loan Amount - US$ 1.32 m, Approval Date - N/A, Project ID - P100352	Billing and metering improvements proposed. Possibility of increasing private participation in operation and maintenance and implementation of user charges.	Proposed
	WB -.Karnataka Community Based Tank Management Project (Supplement), Loan Amount - US$ 64 m, Approval Date - 25 September 2007, Project ID -P102328	Tank User Committees would be formed. Private sector participation expected for giving consultancies to Tank Users Committees.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
Kerala	WB - Kerala Rural Water Supply and Environmental Sanitation Project, Loan Amount - US$ 65.5 m, Project ID - P055454, Approval Date - 7 Nov 2000	Establishment of Kerala Rural Water Supply and Sanitation Agency (KRWSA) an autonomous body. At least half of the staff of KRWSA and District Project Management Unit (DPMU) will be from the private sector and NGOs, and will be recruited on contract basis. Private sector consulting firms which would provide assistance in computerised financial management systems, audits and accounts, design engineering of multi - panchayat water supply schemes, independent construction quality monitoring, management information systems (MIS), and Monitoring and Evaluation in statewide sector development activities.	Closed
Madhya Pradesh	WB - Madhya Pradesh Water Sector Restructuring Project, Loan Amount - US$ 396 m, Approval Date - Sept. 2004, Project ID - 73370	The WB loans push for Full scale Water Sector Reforms - urban, irrigation sector and others, price increases, full cost recovery, elimination of subsidies, retrenchment, ending public water posts, disconnection of non-paying consumers, water tariff regulatory commission, privatisation of 25 minor and 1 medium irrigation project. The WB loan preconditions that state government, not later than December 31st, 2005, prepare & submit draft legislation for the establishment of an autonomous Water Tariff Regulatory Commission to review and monitor water sector costs and revenues, and for setting of bulk user fees to enable water sector operations to be financially viable. Though the draft is ready the Commission has not been formed as yet.	Active
	WB - Madhya Pradesh District Poverty Initiatives Project, Loan Amount - US$ 110.1 m, Approval Date - 7 Nov 2000, Project ID - P059242	Consultants to carry out a baseline social and economic survey of beneficiaries for the project, Village Funds would be established through community cash contributions and would finance operation and maintenance costs or any investments chosen by the villagers.	Closed

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WB - Second Madhya Pradesh District Poverty Initiatives Project Loan Amount - US$ 190 m, Approval Date - N/A, Project ID - P102331	Project would support SHGs in forming federations. Public-Private Partnership Development and Technical Assistance (TA) to Integrated Livelihood Forum would also be supported in this Project. The World Bank has approved a US $100-million International Development Association (IDA) credit to address rural poverty in Madhya Pradesh.	Active
Maharashtra	WB - Maharashtra Rural Water Supply and Sanitation (RWSS) "Jalswarajya" Project, Loan Amount - US$ 181 m, Approval Date - 26 Aug 2003, Project ID – P073369	The RWSS project to cover 26 districts. The project to support restructuring of the existing sectoral agencies such as the Ground Water Development Agency (GSDA) and the Maharashtra Jeevan Pradhikaran (MJP) to align them better in the context of decentralisation and separating the O&M function from all other functions. Reduction in subsidies will be further supported during the project for O&M of water supply facilities. The Swajaldhara program of GOI would also be supported by the project. Institutional reforms also proposed -Formation of Multi Village Water Supply and Sanitation Committee(MVWSSC), Social Audit Committee(SAC), Village Water and Sanitation Committee(VWSC) and sub committees of VWSC and a state level Advisory Committee on Water Resources would be established. Invitation for Submission of Expression of Interest is in process for the consultancy services for Conducting Evaluation of 50 Tribal Project Gram Panchayats spread over all the six revenue divisions of the state.	Closed
	WB - Maharashtra Water Sector Improvement Project, Loan Amount - US$ 325 m, Approval Date - 23 Jun 2005, Project ID – P084790	Institutional and administrative reforms are proposed. Maharashtra Water Resources Regulatory Authority has been established. Mordernisation of Water Users Associations and Technical support groups formed for the facilitation of Public Private Partnerships in water sector.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WSP - UWSS Reform Frameworks Activity 7 - Support to Government (Maharashtra) to develop and implement institutional reforms Partners - SASEI, ASCI, SIDA, Bank Thematic Group on Small Towns Client - Government of Maharashtra Start Date: Jul 2005, End Date: Jun 08	WSP project will provide analytical and advisory support to state governments on the development of sectoral transformation plans. WSP will also develop guidelines and field notes that documents the experiences in these critical areas.WSP assisted the GoM to define a road map for restructuring the MJP and assisted in drafting the TORs for hiring consultants for restructuring the MJP. WSP had dialogue with the client on the broad contours of a possible State urban water policy.WSP is in the process of identifying consultants for developing a State framework for the SWM sector.	Closed
Others	Jawaharlal Nehru Urban Renewal Mission (JNNURM), Government of India Project	JNNURM aims at large scale reforms in municipal services in 63 cities identified across the country. Encouraging PPPs, Legal reforms, Financial reforms, Levy of users charges, Voluntary Retirement Scheme (VRS), not filling posts falling vacant due to retirement and Structural reforms.	Active
	WB - Urban Reform Incentive Fund, Loan Amount - US$ 300 m, Approval Date - NA, Project ID - P088776	This project would support a government program providing budgetary support to reforming States. Technical Assistance would be provided to participating States supporting the implementation of their reform programs.	Dropped
	WB - National Urban Infrastructure Fund, Loan Amount - US$ 200 m, Approval Date - NA, Project ID - P092699	Reforms in tariff fixation, service delivery, private investment in urban infrastructure and linking ULB's to financial markets is proposed. The fund would offer loans, credit enhancement and Technical Assistance financing.	Dropped

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WB - Capacity Building for Urban Development, Loan Amount - US $ 60 m, Appoval Date - N/A, Project ID - P099979	Capacity building of 20 ULBs in the implementation of policy framework of Financial and Financial Management Reform under JNNURM and UIDSSMT. The project would support institutional design in ULBs for service delivery (including supplier management and regulatory agencies), tariff and subsidy design, the financing framework (including access to capital markets, public private partnerships, and carbon finance). A National Project Management Unit (PMU) will be established for providing overall technical and managerial support during implementation.	Proposed
	WB-Financing Public Private Partnerships (PPPs) in Infrastructure through Support to the India Infrastructure Finance Company Ltd. (IIFCL) Loan Amount-US$600 m,Estimated Date of Approval-October 23, 2008,Project ID-P102771	The project's objective is to increase the availability of long-term financing for infrastructure PPP projects in India. The Bank will select PPP projects for financing (through IIFCL) from IIFCL's pipeline based on agreed eligibility criteria.	Proposed
	WB-Dam Rehabilitation and Improvement Project Loan Amount-US$ 350 m, Estimated Date of Approval-February 16, 2006	The proposed project objective would be achieved though investments targeted towards physical, technical and managerial upgrading of dam operations, management and maintenance with accompanying institutional reforms and strengthening of legislative and regulatory measures pertaining to safe and financially-sustainable dam operations. Medium and small dams with substantial need for rehabilitation and the potential to realise quick returns on investments would be included and appropriate institutional mechanisms for their safe operation would be developed. The proposed interventions would be implemented in a number of selected states and at the Central level.	Proposed

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WSP - Design Transformation Plan(States) Partners - SASSD/ Water & Urban, DFID, AusAID, Danida, Client - State Governments Start Date: Jul 03, End Date: Jun 10	This project supports various state governments to develop policies and plans of the RWSS sector and supports reforms in principle. WSP-SA is supporting a range of states in the undertaking of sector assessment studies to highlight the need for the transformation of the existing RWSS sector. The project has been extended to FY10 to align it with DFID supported end date, and continues to explore issues of policy implementation.	Active
	WSP - Enabling Environment and Incentives Partners - SASSD/Water & Urban, AusAID, DfID UNICEF, Danida Client - Government of India (GoI)/ Rajiv Gandhi National Drinking Water Mission (RGNDWM) Start Date: Jul 03, End Date: Jun 10	This project aims to assist in taking forward the GoI's efforts to develop appropriate incentives and disincentives to leverage state governments to adopt systems of Rural Water Supply and Sanitation (RWSS) service delivery. This also aims to give advocacy and advisory support to GoI in the development of guidelines to forward the RWSS reform agenda and to develop of PPP in RWS Enabling Environment and Incentives. This project aims to support this process with policy advice that draws on the Water and Sanitation Program's (WSP) networks and experiences in policy and implementation support at the state level. Other tasks in this project include the management of a 'call-down' service to support the GoI in regulating the performance of States in designing a sector transformation plan for submission for a MoU. The project has been extended to FY10 to align it with DFID support end date.	Active
	WSP - Urban Sanitation Services to the Poor Partners - SASEI, SIDA, Cities Alliance, NGOs (SPARC), ASCI, YASHADA Client - MOUD&PA, state and local governments Start Date: May 03, End Date: June 09	The project will support policy framework, sector transformation and knowledge development and operation support. Tool kit developed to operationalise and monitor incentive / reward program. Full scale sector reform approach would be advocated National and State level for the implementation of reforms. Demand for Sanitation services. Strategic support to 1- 2 state governments in formulating state level strategies would be given.	Closed

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WSP - Options for Municipal Solid Waste Management Reform Partners - SASSD/ Water & Urban, Environment, SIDA, AusAID Client-MOUD&PA, MOEF, State and Local governments	The project aims to prepare Guidelines for PSP & Regional Facilities and emerging state models for sector reform disseminated in the context of JNNURM and will also give inputs in improving MSWM policy framework. This project aims to develop the knowledge base in India on context specific institutional and governance issues to promote SWM sector transformation.	Closed
	WSP - UWSS Reform frame Works Activity 1 - Fiscal and Financial Environment for Reform Partners - SASEI, PREM, SASRD, ASCI Client - MoUD & PA, MoF, Finance Commission, State and Local Governments Start Date: Jan 04, End Date: Jun 07	The project will support central government through JNNURM and UIDSSMT to fine-tune the reform incentives and financial frameworks; assist state governments for local service delivery reforms; and work with selected urban local bodies to formulate reform plans and reach agreement on those plans with states and the centre.	Closed
	WSP - UWSS Reform frame Works Activity 3 - SA5/6 Enabling Environment for UWSS Institutional Reform Partners - SASEI, SASPR, SIDA, DFID Client - MoUD, State and Local governments; Water Utilities; Civil Society Start Date: May 04, End Date: June 08	The project will support GOI in developing PSP guidelines for emerging infrastructure funding schemes such as UIDS and developing sector transformation strategies/ Documenting private and public sector management of UWSS services.	Closed

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WSP - UWSS Reform frame Works Activity 5 - Develop and test instruments for establishing consumer baseline and monitoring consumer feedback. Partners - SASEI, SASPR, SIDA, VCPP Client - MoUD & PA, Utilities, State and Local governments Start Date: Jul 04,End Date: Jun 09	The Project with its primary intent to assist clients, studies will be undertaken to capture the response of representative consumer groups / sub-groups on various service delivery issues and aspects of proposed interventions and use the information to develop a system to monitor consumer behavior. The studies are designed to generate understanding of the baseline conditions regarding WSS service provision for consumer groups, including coping strategies and costs, demand, and preferences for WSS services. The initial set of two Demand Assessment studies have been carried out for Greater Bangalore and Delhi. The next set of four studies includes Demand Assessments for Bangalore, Chennai, Mumbai and Hyderabad. The studies will support the establishment of baselines and design of reform interventions, including the framework for assessing outcomes under performance-based contracts.	Closed
	WSP - UWSS Reform frame Works Activity 7-Demand Responsive Reform Implementation Support Partners-SASEI, SASPR, SIDA Client-MoUD, State and City governments; Water Utilities; Civil Society	The Project aims for implementation support to urban authorities and WSS service providers who are undertaking a fundamental transformation of service provision towards significant improvements in service levels ("24/7" water supply, low cost sewerage, etc.), injecting private sector operational and management expertise regarding service provision. The project would support reform strategies in Northeast cities, Support to design of reform in smaller cities-Andhra Pradesh and Maharashtra are the initial states taken up under this activity – each state has identified two to three smaller cities to serve as pilots, Support to Delhi/DJB, Karnataka/Bangalore WSS Board and Goa arising from past engagements, for which planned studies and support have largely been completed, but reforms not yet implemented. The project would also support Maharasthra to develop and implement institutional reforms, Haryana to develop options for institutional and fiscal reform and Gujarat in promoting Public-Private Partnerships (PPPs) in the urban WSS sector	Closed

Name of State	World Bank Loans (PPIAF and WSP Included)	Features	Status
	WSP - Improving Urban Sanitation and Municipal Solid Waste Management Services Partners - SASEI, SIDA, World Bank (SASSD), Cities Alliance, NGOs (SPARC), ASCI, YASHADA Client - Govt. of India - Ministry of Urban Development & Ministry of Housing and Urban Poverty Alleviation, state and local governments Start Date: July 2008, End Date: June 2011	The project aims at institutional reforms, early adoption of reform elements in the sanitation and solid waste management sector (viz. cost recovery strategies, PPP) and sector trasformation plans. To support sector transformation WSP will support state governments to formulate/ develop state level strategies and to support service delivery reform. WSP will support cities to review service delivery options and develop implementation plans for city wide sanitation.	Active
	WSP - Improving Urban Water Service Delivery Partners - DFID, AUSAID, World Bank (SASSD), Cities Alliance, State and Administrative Institutions (ASCI, YASHADA) Client - Ministry of Urban Development, Ministry of Housing and Urban Poverty Alleviation, Department of Economic Affairs, State Governments, Local Governments, Community Based Organizations and Rural NGOs and Civil Society Start Date: July 2008, End Date: June 2011	The project focuses on policy and institutional reform in the urban water sector. The project aims at reviewing study of recent UWSS PPP initiatives in India and will support advocacy of 24x7 water supply, institutional reform (e.g. more in-depth study on costs of intermittent piped water supply and sanitation).To support sector transformation WSP will support analysis and advocacy work for sector transformation strategies and would assist the formulation of policies, guidelines, and legal frameworks.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WSP - Improving Sustainability of Rural Drinking Water Supply Partners - DFID, AUSAID, World Bank (SASSD), UNICEF, WaterAid, WHO, WES-NET, National Institute for Rural Development, State Institutes for Rural Development, YASHADA Client - Department of Drinking Water Supply, Ministry of Panchayati Raj, State Governments, Local Governments, Community Based Organisations and Rural NGOs, Private Sector service providers, and Civil Society Start Date: July 2008, End Date: June 2011	The project will support reform of policy and institutional frameworks by helping to identify the broad policy shifts and institutional framework[s] required to stimulate, implement and operate decentralised approaches to rural water supply.WSP will give advisory support to GoI in the development of guidelines to forward the rural water supply agenda, and to regulate the performance of states in developing and implementing sector transformation plans. It will also give emphasis on the development of PPP in rural water supply enabling environment and incentives. To support sector transformation WSP will support analysis and advocacy work for sector transformation strategies to states to commit to a rural water supply transformation plan and would also give advisory support to World Bank and other donor projects.	Active
	WSP - Manage Sector Change (States) Partners - SASSD/ Water & Urban, DFID, AusAID, Unicef, Danida Client - State Governments Start Date: Jul 2003, End Date: Jun 2010	The project aims at designing and implementation of institutional reforms of RWSS service delivery. Guidance note to A.P. and Kerala governments on rationalisation of GoI guidelines on water quality completed.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	PPIAF - Developing Institutions to Promote Regulatory Capacity Building (CUTS) Approval Date: February 21st, 2007, PPIAF Grant Amount: $60,000, Co-financing: $13,000, Sector: Multisector	PPIAF will support the Consumer Unity & Trust Society (CUTS), a grassroots consumer protection non-governmental organisation in India in their effort to develop a comprehensive plan for outreach and communication activities for stakeholder engagement. It will be driven as part of CUTS infrastructure reform program headed up by CUTS Institute for Regulation and Competition (CIRC). The funds will go towards workshops to educate stakeholder groups about regulation and competition issues. Based on study recommendations CIRC is actively engaged in hiring the professional staff for the institute, and to initiate the capacity building programs.	Closed
	PPIAF - Guidance for Empanelment of Advisors for Developing and Implementing Public-Private Partnerhip (PPP) Program, Approval Date: March 02nd, 2007, PPIAF Grant Amount: $40,000, Co-financing: $5,000, Sector: Multisector	The Department of Economic Affairs is developing a process to pre-qualify a panel of consultants, in line with the procurement practices of multilateral agencies. PPIAF awarded a technical assistance grant to the government for the selection of consultants by state governments/project authorities, for the development of public-private partnerships.	Active
	PPIAF- Infrastructure Public Private Partnership (PPP) Financing Approval Date: March 01st, 2006 , PPIAF Grant Amount: $356,250, Co-financing: $18,750, Sector: Multisector	To facilitate private sector participation government of India with the help of PPIAF is conducting a study. The overall objectives of this study are to provide evidence-based descriptions of present financing sources for infrastructure in PPPs in India. According to PPIAF," The draft final report provides analysis and recommendations based on tracking of over 200 public-private partnership projects approved in India. Detailed financial analysis has been undertaken for about 100 projects that have achieved financial closure. Based on extensive primary data collected for	Active

Name of State	World Bank Loans (PPIAF and WSP Included)	Features	Status
		PPP projects, the study concludes that nearly 70 per cent of the debt financing is from commercial banks. It provides recommendations for improving availability of long term debt and equity financing for PPP projects, with the overall objective of the government to scale-up private financing to meet India's infrastructure requirements.	
	PPIAF - Preparation of Business Plan for Maharashtra Urban Infrastructure Development Company (MUIDCL) Approval Date: April 15th, 2008, PPIAF Grant Amount: $75,000, Co-financing: $48,000, Sector: Multisector	The government of Maharashtra has created MUIDC to act as a catalyst and facilitator, assisting in designing and implementing infrastructure projects on a PPP basis. The study involves assessment of underlying market circumstances and preparation of a strategy and business plan for MUIDC to enable it to effectively deliver on its mandate. It will involve defining the institutional role for MUIDC in the context of Maharashtra, identifying potential revenue sources for MUIDC, and suggesting organisational, governance and capital structure models.	Active
	PPIAF - Visakhapatnam - Kakinada Coastal Growth Corridor Project - Preparation of an Infrastructure Development and Public Private Partnership (PPP) Strategy Approval Date: May 15th, 2008, PPIAF Grant Amount: US$ 75,000, Co-financing: US$ 85,000, Sector:	This activity provides support to the government of Andhra Pradesh to prepare an "Infrastructure Vision" for the Visakhapatnam-Kakinada Coastal Growth Corridor, including an action plan and implementation mechanism for key infrastructure projects and identification of projects that can be implemented on a PPP basis.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	PPIAF - Planning Commmission: Facilitating Public-Private Partnerships (PPPs) in Infrastructure Sectors PPIAF Grant Amount: US$265,000, Co-financing: US$180,000, Approval Date: January 31st, 2006 , Sector: Multisector	Funding was awarded to the Secretariat to make sure as they design new policies they take into account international experience and good practices. The activity is designed to initiate a structure that maximises the role of public-private partnerships and monitors key infrastructure projects. PPIAF is providing assistance to the Secretariat	Active
	PPIAF - Institutions, Processes and Capacity Review to facilitate Public Private Partnerships (PPPs) PPIAF Grant Amount: US$ 107,800 Co-financing: US$ 60,000, Approval Date: September 12th, 2007, Sector: Multisector	This activity will support the Department of Economic Affairs in their efforts in assessing the institutional framework, processes and capacity to implement PPP projects; identifying what areas require support and developing an action plan to determine capacity building needs.	Closed
Orissa	WB - Orissa Community Tank Management Project, Loan Amount - US$ 112 m, Approval date - 30 Sep 2008, Project ID - P100735	Collection of water charges. Modernisation of tank systems. WUAs would be constituted under Orissa Pani Panchayat Act 2002.CurrentlyWorld Bank has approved US$56 million for this project.	Active
	WB - Orissa Water Sector Improvement Mahanadi Basin Project, Loan Amount - US$ 300 m, Approval Date - NA, Project ID - P105759	Unbundling of irrigation and water resource management, rehabilitating existing assets, develop new assets in a basin context, and integrating irrigation and agriculture development.	Proposed

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
Punjab	WB - Punjab Rural Water Supply and Sanitation, Loan Amount - US$ 154 m, Approval Date - 14 - Dec - 2006, Project ID - P090592	Reforms process in co-ordination with GOI's Swajaldhara project. WB is providing full support to state government to change policies, regulations, laws in favour of privatisation to promote business of water & allied services. Involvement of Price Waterhouse Coopers. The Government of Punjab (GOP) has called for Request for Expression of interest for providing consultancy for the services include preparation of detailed scheme proposal and bid documents. The services have to be carried out in about 800 villages for the duration up to March 31, 2011. According to Punjab News line report," The World Bank had agreed to slash beneficiary contribution by 50 per cent in World Bank aided Punjab Rural Water Supply and Sanitation Project. Upper ceiling of house hold share of capital cost has been reduced from existing Rs. 1500/- per house hold to Rs. 800/- per house hold for general category villages and from Rs. 750/- per house hold to Rs. 400/- per house hold in the difficult area villages i.e. notified villages along International Border, Kandi area, Bet area and water logged area.SC population will contribute only 50 % of the prescribed amounts i.e. they would pay Rs.400/-instead of earlier Rs. 1500/- in general villages and Rs.200/- instead of earlier Rs.750/- in difficult area villages."	Active
Rajasthan	WB - Rajasthan Water Sector Restructuring Project, Loan Amount - US$ 140 m, Approval Date - 19 Feb 2002, Project ID - P040610	Project involves all the reforms steps like unbundling, tariff regulation, ground water laws.	Active
Tamil Nadu	WB - Third Tamil Nadu Urban Development (TNUDP III), Loan Amount - US$ 300m, Approved on - 6 July 2005, Project ID - P083780	Possible urban water reforms. WB for reforms in the rural water supply, with full cost-recovery, private operators involvement, etc. Attempts are on to create tradable groundwater entitlements around Chennai so that Chennai city can buy water from farmers and thus bypass the current strong protests from other farmers at depleting groundwaters.	Active

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
	WB - Tamil Nadu Irrigated Agriculture Modernization and Water Resources Management Project, Loan Amount - US$ 485 m, Approval Date-23-JAN-2007 , Project ID – P090768	Institutional reforms proposed. Converting WRCRC (Water Resources Control and Review Council) to State Water Council, amalgamating the associated subcommittees and upgrading the Institute of Water Studies (IWS) and the Surface and Groundwater Data Center (SGDC) to a State Water Resources Agency, establishment of a Water Regulator. Unbundling resource management from service delivery institutions, managerial upgrading of irrigation development and service delivery institutions, expanding Basin Development and Management Boards to support key policy and investment decisions. Water Resources Research Fund (WRRF) for targeted studies on water and irrigated agriculture issues. Jain irrigation Systems Ltd has bagged the contract of Rs77.8 crores management project covering 22,345 hectares of area, which will be executed in the year 2009-10.The project covers 63 river sub-basins, out of which 25 will be covered in the first and second phases. The project is being implemented by the State Agricultural Engineering Department and Tamil Nadu Agricultural University.	Active
	WB - Tamil Nadu Rural Water Supply and Sanitation Project, Loan Amount - US$ 150 m, Approved on- N/A, Project ID-P078210	Institutional reforms proposed. TA for Institutional development including program management, monitoring and evaluation systems, strengthening of sector agencies, and future sector planning. The proposed program will build on the success of the DANIDA and GoI assisted projects in Tamil Nadu. Private sector participation is also proposed.	Proposed
	PPIAF - Public-Private Partnership in Infrastructure Services Provision in Tamil Nadu, TA Grant amount : US$ 390, 300.00 Cofinancing from Other Sources: US$ 54, 000.00 Approval Date- 29 June 2004	Assisting the government of Tamil Nadu in preparing a policy framework to create an appropriate enabling environment for scaling up public-private partnerships for infrastructure development.	Approved

Name of State	*World Bank Loans (PPIAF and WSP Included)*	*Features*	*Status*
Uttar Pradesh	WB - Uttar Pradesh Water Sector Restructuring Project, Loan Amount - US$ 149.2 m, Approval Date - 19 Feb 2002, Project ID - P050647	A series of sector reform steps to be taken like unbundling Water Resources Management (WRM), tariff regulation, WUA strengthening, UP Irrigation Department downsizing, Public Private Partnerships, private sector participation and formation of Water Tariff Regulatory Commission. Changes in the existing institutional and policy framework for comprehensive water sector reforms. The bill to form the State Water Tariff Regulatory Commission has been passed in the state assembly in September 2008.	Active
Uttarakhand	WB - Uttaranchal Rural Water Supply and Sanitation Project, Loan Amount - US$ 120 m, Approval Date - May 2006, Project ID - P083187	Technical and economical sector studies are proposed including the time saving studies, cost effectiveness indicators, appropriate technologies, institutional models for service provision and other studies. A separate cell will be established at the Department of Drinking Water (DDW), GoUA which shall act as the Secretariat of SWSM. Proposed Institutional reform - User Water and Sanitation Sub-Committee (UWSSC) will be formed for each water supply scheme consisting of beneficiaries of the scheme. The UWSSC will be responsible for scheme planning, designing, procurement, construction, O&M, tariff fixation and revision, community contributions (capital and O&M) and other responsibilities.	Active
West Bengal	WB - West Bengal Accelerated Development of Minor Irrigation, Loan Amount - US$ 250 m, Project ID – P105311, Approval Date – NA	Developing or rehabilitating irrigation schemes. Water charges would be applied and Agricultural service Centres would be established.	Proposed

Notes

1. Navdanya Research Foundation for Science Technology and Ecology, *Financing the Water Crisis: World Bank and International Aid Agencies and Water Privatisation*, Water Sovereignty Series 7 New Delhi: Navdanya Research Foundation for Science Technology and Ecology, 2005.
2. This was revealed by investigations carried out by Parivartan, a Delhi-based NGO founded by Arvind Kejriwal to campaign for transparency and accountability in government functioning. The organisation has also played a pivotal role in the National Campaign for the People's Right to Information.
3. Navdanya, *Financing the Water Crisis: World Bank, International Aid Agencies and Water Privatisation*, New Delhi: Navdanya Research Foundation for Science, Technology and Ecology, 2005.
4. For a full list of water reform projects in India, see Table 25.1.
5. Programme of the Government of India that grants finance to private projects in the infrastructure sector up to 20 per cent of the project costs.
6. Maharashtra Water Resources Regulatory Authority Act, 2005, Maharshtra Act No. XVIII of 2005, Government of Maharashtra. Clause 11 (i).
7. A detailed discussion on the 'Role of the World Bank as a Knowledge Provider' can be read in the introductory section of this volume.
8. Standing committee is a sub-committee constituted from the elected representatives of the municipality. Each municipal council has various standing committees that are constituted from time to time to deliberate, investigate and propose certain actions to the main municipal council for policy decisions.
9. Shantis or slum dwellings.

26

The Neo-liberal Assault on India's Education System[1]

ANIL SADGOPAL

This chapter analyses the significantly adverse impact the World Bank (together with UN and other international agencies) has had on the Indian education system and policies. The first section puts World Bank programmes in a historical context, followed by an in-depth analysis of the policy-level negative fallout from World Bank interventions in education. Following this primary paper are three testimonies which look at different aspects of the World Bank policies in education. These are the World Bank's impact on Higher Education, impact within the State of West Bengal, and impact on the education of tribals in the State of Maharashtra, mainly through its participation in Sarva Shiksha Abhiyan.

The doors of the Indian economy were formally opened to the neo-liberal agenda with the Government of India's declaration of the New Economic Policy in 1991. However, global market forces, led by the United States and other G-8 countries and represented by the International Monetary Fund (IMF)-World Bank regime, had started operating in India quietly much earlier. From the mid-1980s onwards, there are definite signs of the presence of their advocates at the highest echelons of the Indian government, including the Prime Minister's office, and their agenda having an impact on the formulation of Indian policies.

The Constitution's Vision of Education: Conflict with the State and Neo-Liberalism[2]

The Constitution of India directs the Indian State to provide 'free and compulsory education for all children until they complete the age of fourteen years' (Article

45, Part IV). In Article 46, the State is directed to 'promote with special care the educational and economic interests … of the Scheduled Castes (SCs) and the Scheduled Tribes (STs)…'.[3]

Article 45 has been interpreted to include (*i*) early childhood care, nutrition, health and pre-primary education (kindergarten, nursery) for children below six years of age and (*ii*) *elementary* (not *primary*) education of eight years (Class I–VIII) for the 6–14 age group children. Although Article 45 is placed in Part IV[4] of the Constitution and, therefore, not enforceable as a Fundamental Right, the sense of urgency attached to its fulfilment 'within a period of ten years from the commencement of the Constitution' is remarkable. This is the only Constitutional provision with a time frame. This ended in 1960. The neglect and disdain with which this critical provision has been treated by the State and the ruling class are part of history. At present, more than half of the 6–14 age group children are denied elementary education and the data on the provision for the children below six years of age are too scanty to deserve reference. The status of these provisions in the case of the SCs and the STs, noted in Article 46 for 'special care', is much worse.

There are at least two significant dimensions flowing out of the Constitution that define the vision of education. First, the Preamble to the Constitution provides the overall framework within which Article 45 has to be envisaged. This means that education must be directed to build citizenship for a democratic, socialist, secular, egalitarian and just society. Second, education is to be in consonance with Articles 14, 15 and 16 of Part III which guarantee equality before the law and equality of opportunity as Fundamental Rights and prohibit the state from discriminating 'against any citizen on grounds only of religion, race, caste, sex, place of birth or any of them'. While the state has to date failed to promote these two dimensions of the Constitutional vision, the World Bank policies in India, too, have to be judged within the same framework.

A historic judgment by the Supreme Court of India in 1993 radically transformed the status of Article 45. In its Unnikrishnan Judgment (1993), the Supreme Court ruled that Article 45 in Part IV has to be read in 'harmonious construction' with Article 21 (Right to Life) in Part III of the Constitution, as Right to Life loses its significance without education. Hence, the Supreme Court declared that Article 45 acquired the status of a Fundamental Right. The years that followed have seen how the Indian State allowed the neo-liberal policies to dilute and distort the notion of the Fundamental Right inherent in the Unnikrishnan Judgment. The 86th Constitutional Amendment (2002) is clearly a result of this neo-liberal assault on the Constitution and designed to legitimise the fault lines introduced by the World Bank policies in India's educational system.[5]

The Unnikrishnan Judgment went a step further. It ruled that the Right to Education continues to exist under Article 41 (Part IV) even beyond the age of 14 years but is limited by the State's 'economic capacity and [stage of] development'. Clearly, the Constitution is directing the State to envisage the entire sector of education—from kindergarten to higher and professional education—in a holistic manner. Any policy to limit, distort or fragment this vision, neo-liberal or otherwise, is a violation of the Constitution of India which represents people's aspirations from the freedom struggle against imperialism.

Neo-liberal Policy Trends before Structural Adjustments

In the National Policy on Education-1986 (NPE-1986) and its companion Programme of Action-1986 (POA-1986) itself, we can identify several trends that reflected the World Bank's thinking. These became evident later in the late 1980s or 1990s when the high profile Total Literacy Campaigns (under the National Literacy Mission), UNICEF-assisted Bihar Education Project, World Bank-funded U.P. Basic Education Project, SIDA/DfID-assisted Lok Jumbish (Rajasthan) and finally the World Bank-sponsored District Primary Education Programme (DPEP) in eighteen states (about 280 districts) became the face of the 1986 education policy. These trends also served the vested interests of the Indian ruling class, apart from being politically and financially convenient to the central government. Let us briefly list these trends:

- The Education Commission (1964–66), popularly known as the Kothari Commission, conceived education as a critical socio-political process for building citizenship for a democratic, socialistic, egalitarian, just and secular society. With the onset of the neo-liberal framework, the most significant impact has been on these goals which were diluted, distorted or trivialised. The change of the name of the Ministry of Education to the Ministry of Human Resource Development (HRD) in 1985–86 marks the beginning of the State's acceptance of the pro-market agenda in education.
- NPE-1986, along with POA-1986, as also their modified versions of 1992, introduced several retrogressive policy measures (e.g., introduction of non-formal education as a parallel layer and Minimum Levels of Learning). These measures paved the way for the neo-liberal agenda embedded in structural adjustment and Social the Safety Net and were later echoed in the World Bank's interventions in the 1990s as well. Some of these ideas also flowed from the Jomtien Declaration (1990).
- Education was increasingly viewed as literacy and numeracy 'skills' (often reduced to functional literacy), rather than a process of unleashing the human potential and enriching the consciousness. This trivialisation went to the extent that (*i*) the literacy campaigns became synonymous with educational campaigns and (*ii*) the literacy rate became the dominant (often the sole) parameter for measuring or assessing educational progress (it is like turning the parameter into the goal itself). The literacy campaigns diverted political attention away from both school and higher education.
- Advocating a mechanistic view of curriculum fragmented into numerous market-

oriented competencies, the Minimum Levels of Learning (MLL) were introduced by the Ministry of HRD[6] in 1990 in the most undemocratic and secretive manner. This was among the earliest instances, later to become a practice, of policy changes being introduced without democratic consultation or debate at legitimate fora like the Central Advisory Board of Education (CABE) or even NCERT.[7] The MLL concept was steeped in anti-child behaviourist approach, de-linking of the cognitive (related to thinking and knowing functions) from the non-cognitive (related to emotions, values and psycho-motor skills) domains.[8] The advocacy of MLLs by World Bank's DPEP from 1993–94 onwards was endorsed by European Commission, DfID and United Nations (UN)-funded primary education programmes. MLLs continue to define the framework of curricular planning and testing in Sarva Shiksha Abhiyan (SSA) as well. The MLL story tells us why we must not underestimate the neo-liberal agenda of influencing the character of knowledge in school curriculum designed to undermine critical thinking and orient the public mind in favour of consumerism.

- The most visible structural distortion of the school system comprised the introduction of a non-formal (NFE) stream of educational facilities (not school) of inferior quality for more than half of the nation's children below the school system. The 1986 policy also introduced a layer of expensive residential Navodaya Vidyalayas above the school system for a handful of children (about 80 children per district per year). The Navodaya Vidyalayas were justified, among others, on the untenable ground of acting as 'pace-setting schools' for the ordinary government schools in its neighbourhood—an objective that turned out to be entirely misconceived.[9] The policy shift also introduced the under-qualified, untrained and under-paid 'instructor' appointed on short-term contract in the NFE centres. The 'instructor' of the 1986 policy became the 'para-teacher' of World Bank's DPEP in the 1990s, providing the major basis for fragmenting (and finally demolishing) the cadre of school teachers.
- The aforementioned shift towards institutionalising multiple parallel layers within the school system contradicted the 1986 policy resolve to build a National System of Education rooted in the Constitution. This shift, however, made a farce of the policy statement that 'effective measures will be taken in the direction of the Common School System recommended in the 1986 policy' (Section 3.2). During the 1990s, the World Bank and its associated UN and other international funding agencies, as we shall see shortly, made strategic use of this fault line of the 1986 policy to first weaken and then to destroy the credibility of the school system altogether.

World Bank-UN Framework of Education: Examining Its Premises

In March 1990, India signed the 'World Declaration on Education For All' and 'Framework For Action To Meet Basic Learning Needs' adopted at the 'World

Conference on Education for All: Meeting Basic Learning Needs', held at Jomtien, Thailand, under the joint sponsorship of three UN agencies (UNDP, UNESCO and UNICEF) and the World Bank. The twin documents together known as the Jomtien Declaration have since become the chief strategic instrument of the neo-liberal forces in school education. It laid the foundation for the World Bank intervention by advocating international aid for primary (not elementary) education in the developing countries, making it 'unnecessary' for them to mobilise resources by re-prioritising national economies. The call for external financing of primary education was part of the IMF-World Bank's Structural Adjustment Programme (SAP) and Social Safety Net. The Social Safety Net Adjustment Credit, however, turned out to be a minimal compensation against the substantial withdrawal of state funding under SAP (see Table 26.2). A detailed critique of the Jomtien Declaration is separately available.[10]

The pre-condition of SAP meant, among other things, that the Indian government was obliged to steadily reduce its expenditure on the social sector, particularly health and education. This was a rather enigmatic pre-condition in a country where the vast majority of the people did not have access to quality health or education. In education, it made even less sense as it was imposed by those who were apparently advocating the much-proclaimed 'Education For All' (EFA) programme along with the move towards the so-called 'knowledge economy'. One cannot, therefore, avoid asking the question: What was the hidden agenda?

The central thesis of the Jomtien Declaration in the Indian context was five-fold:

> *First*, the State must abdicate its Constitutional obligation towards education of the masses in general and school-based elementary education (Classes I–VIII) in particular, become dependent on external aid even for primary education (Classes I–V) and work in partnership[11] with non-governmental organisations (NGOs), religious bodies and corporate houses;[12]
> *Second*, the people neither have a human right as enshrined in the UN Charter nor a Fundamental Right to receiving free pre-primary and elementary education (from kindergarten to Class VIII) of equitable quality as implied either by the Constitution under Supreme Court's Unnikrishnan Judgment (1993) or even the much diluted 86th Constitutional Amendment (2002);[13]
> *Third*, education is not aimed at building a conscious citizenship for a democratic, socialistic, egalitarian and secular society; instead, it is synonymous with literacy-numeracy and life skills required for social manipulation, mind control and regimentation for advancing the market economy;
> *Fourth*, the school system may comprise parallel layers of inferior quality education for various sections of society, thereby becoming a multi-layered school system; this conception will directly amount to denial of quality education to the underprivileged masses lacking capacity to pay;[14] and
> *Fifth*, education is a commodity that can be traded in the global market and offered for World Trade Organization (WTO) negotiations.

The Jomtien Declaration dominated policy formulation and educational planning in several developing countries throughout the 1990s. A decade later, the Dakar Framework (2000) further elaborated and reinforced the basic premises of the Jomtien Declaration. The Indian government kowtowed to continue the neo-liberal agenda. As the DPEP was about to end within the next three to four years, this implied that the Indian government was ready to carry forward the DPEP package, along with its lacunae and failures, into the then emerging SSA, thereby ensuring that the neo-liberal framework will continue to determine the future policies.

Table 26.1 gives a comparative presentation of India's Constitution and the Jomtien Declaration with regard to the goals, concept and scope of education under the two frameworks.

Table 26.1 Comparative Presentation of India's Constitution and the Jomtien Declaration with Regard to Education as a Right

Constitution of India (1950)	*World Bank-UN Jomtien Declaration (1990)*
Elementary Education of 8 years guaranteed.	*Basic Education* limited to *Primary Education* of 5 or less years.
Children up to 14 years of age have a *Fundamental Right* to education, including those below six years of age; the Right continues to exist under Article 41 *even beyond the age of 14 years* but is limited by the State's 'economic capacity…' (Supreme Court's Unnikrishnan Judgment, 1993). All sectors of education—kindergarten to higher/professional—*envisioned holistically*.	Only a *symbolic reference* to Fundamental Right in the Preamble and that, too, limited to *6–11 year age group* children; early childhood care and pre-primary education included in the scope of Basic Education, though not as a universal entitlement—a *myopic and fragmented* vision.
Guarantee of *free* education.	No reference to *free* education.
Education aimed at building *citizenship for a democratic, socialist, egalitarian, just and secular society*.	The definition of Education as 'basic learning needs' allows its reduction to *literacy–numeracy*, *life skills* and *behaviourism*.
The State is obliged to ensure *reprioritisation* of *internal* resources in order to provide for education.	State's obligation substituted by *external* assistance and *partnership* with NGOs, religious bodies and the corporate capital.
Equality in and through education in all its dimensions.	Equality normally limited to '*opportunity to achieve and maintain an acceptable level of learning*'.
Guarantee of education of *equitable* quality—a Common School System based on Neighbourhood Schools implied.	No such guarantee—allowing space for a multi-layered school system of inferior parallel layers.

At the September 2000 Millennium Summit, the IMF-World Bank, along with the Organisation for Economic Co-operation and Development (OECD) and the UN agencies, devised a set of eight Millennium Development Goals (MDGs). In line with the Jomtien-Dakar Framework, one of the eight goals directly relating to education reiterates the agenda of 'achiev[ing] universal primary education'. The comparison between the Constitution and the Jomtien Declaration presented in Table 25.1 equally applies to the MDGs, if not even more. Yet, the Indian government has circumscribed educational planning and financial allocations within the highly diluted norms set by the MDGs, as indicated in the following:

> …it is imperative to give good quality elementary education to all children in the age group of 6 to 14 years. Policies and programmes in this direction are also necessary for honouring the *country's commitment to the 'Millennium Development Goals' and 'Education For All'* … for increasing public expenditure on education to 6 per cent of GDP and for universalizing elementary education at the national level (emphasis added).[15]

What is worse is the stance of the internationally funded and high-profile NGOs who are eager to substitute the EFA-MDG framework in place of the conceptually far more powerful founding document of the Indian Republic.

Structural Adjustment: The Hidden Agenda of Privatisation

What the country needed in 1991, when the New Economic Policy was announced, was a firm resolve to first rapidly fill up the cumulative gap resulting from continued underinvestment since the Kothari Commission (1966) and then maintain the investment level of 6 per cent of gross domestic product (GDP). To be sure, this was just about beginning to take place, as is evident by the steady rise in educational expenditure as percentage of GDP soon after the 1986 policy, as a result of the public pressure (see Figure 26.1). Yet, what the World Bank persuaded the Indian State to do in the 1990s was precisely the opposite. The agenda of systemic transformation in education, as implied by the 1986 policy, was given up after 1991 and replaced by a set of un-researched, untested and arbitrary schemes or projects assisted and sponsored by the World Bank, UN agencies and a host of other international agencies. The undeclared but operative strategy in such schemes and projects was to let the vast government education system (from schools to universities) starve of funds and, consequently, deteriorate in quality. As the school quality would decline, resulting in low learning levels, the parents, even the poor among them, would begin to withdraw their children from the system. A sense of exclusion from the socio-economic and political space would prevail.

When the children are either 'pushed out' of the schools or decide to 'walk-out' in protest against the poor quality and irrelevance of education (no child ever drops out, the official or World Bank claims notwithstanding), two possibilities would emerge.

First, low fee-charging unaided private schools (recognised or unrecognised) would mushroom to meet the new demand. Second, the government would have an alibi for closing down its own schools. The consequent low enrolment in government schools would be claimed as the ground for declaring them 'unviable'. The school campuses could then be converted into commercial ventures such as the fee-charging elite private schools or the shopping malls, especially in urban areas, as is the emerging phenomenon all over the country. Yet, closure of government schools would be unabashedly termed 'rationalisation' of the school system in the official reports.[16]

Let us summarise the hidden agenda of privatisation. The World Bank-UN strategy essentially comprised three sub-strategies:

- convert the school system into a multi-layered system with several inferior-quality parallel layers;
- dilute norms and standards in the government schools pertaining to infrastructure and other such essentials of quality education (see Table 26.3); and
- close government schools under the pretext of 'rationalisation'.

World Bank's DPEP: The Assault

Although claiming to be located in the 1986 policy, the DPEP was in fact embedded in the Jomtien Declaration. Beginning in 1993–94 with forty-two districts in seven states in Phase I, the DPEP had steadily spread its coverage to almost half of India's districts in eighteen states (about 280 districts) by the time its third and the last phase was initiated in 2002–3.[17]

During this short period, the DPEP was able to inflict major damage to the school system. The following is a list of the outstanding damages that can be identified:

- *Reduced* the holistic goals of education to literacy-numeracy and questionable life skills;
- *Diluted* the commitment of the Constitution as well as the 1986 policy for early childhood care, pre-primary education and eight years of elementary education (kindergarten to Class VIII) to five (or less) years of primary education (Classes I–IV in several states or I–V in others), with a major adverse impact on the policy norms of locating an elementary school in proximity to a habitation;[18]
- *Dissociated* curricular and pedagogic planning of the lower primary education from that of the upper primary, secondary and senior secondary education, thereby leading to fragmentation of school education;
- *De-linked*, both conceptually and operationally, the issue of access to education from quality of education, thus distorting educational planning;
- *Introduced* parallel layers (parallel to the mainstream formal schools) of relatively inferior quality such as the Alternative School, Education Guarantee Centres

and a variety of non-formal 'facilities'; this resulted in a multi-layered primary education system wherein each layer was meant for a separate social segment;

- *Systematically replaced* the regular teacher with an under-qualified, untrained and underpaid person appointed on short-term contract—called a para-teacher; this led to fragmentation of the teacher cadre, lowering of status, demoralisation and weakening of teachers' democratic movements (now being substituted by Information and Communication Technology-based NGO-managed teachers' networks);
- *Violated* the 1986 policy Operation Blackboard norms of 'at least three teachers and three classrooms per primary school' (along with a veranda and separate toilets for girls and boys) by introducing the dubious notion of multi-grade teaching wherein one teacher is trained to perform the 'miracle' of teaching five classes simultaneously in one classroom;
- *Diluted* the infrastructural, teacher-related, curricular and other norms and standards, approved under the 1986 policy, pertaining to quality of education (see Table 26.3);
- *Institutionalised* discrimination against the SCs, STs, most OBCs (Other Backward Classes) and Muslims, particularly the girls among them, since the introduction of parallel layers, para-teachers and multi-grade teaching adversely affected these sections of society;
- *Promoted* a money-oriented culture, quite alien and also undesirable to the education system, by lavishly paying hefty honoraria and consultation fees to all and sundry, including the questionable Joint Review Missions (JRMs); this has caused irrevocable damage since all such academic contributions were invariably made during the pre-DPEP phase either on official duty or on an entirely voluntary basis (with reimbursement of only travel and contingent expenses); it would be quite difficult, if not impossible, to reverse this malpractice, now that the external assistance is being petered out;
- *Rendered* the departments of education in state governments superfluous by *setting up* parallel NGO-type structures for channelling finance and governance of DPEP (and later SSA) and *diverting* political and administrative attention away from not only the publicly mandated departments but also State Councils of Educational Research and Training (SCERTs), District Institutes of Education and Training (DIETs) and other state-level institutions of educational research, curricular planning and textbook development, teacher training and innovation; this has caused much confusion in governance, planning, budgeting, assigning personnel and public accountability;
- *Shifted* the government's Constitutional obligation for planning and governance of educational programmes and projects to the local bodies without adequate preparation at the ground level and without guaranteeing flow of adequate funds.
- *Undermined* the in-built systems of accountability, monitoring and evaluation of the programmes and projects. A farce of high-profile and expensive JRMs,

with participation of foreign experts,[19] was built up during DPEP whose cost was also charged to the loan account, payable by India, but whose methodology and reports have never been subjected to public scrutiny.[20] Several Indian experts have reported that their reports were 'doctored' by the 'debriefing' authorities in the state capitals, ignoring their protests.[21] At the end of the project duration, both the World Bank and the governments (Centre and/or state) would quietly move on to the next project (in this case, SSA) without ever publicly assessing how far the original targets have been achieved, and in case of failure, without objectively analysing the causes.

The aforementioned story of DPEP is hard to believe. An independent academic assessment of DPEP by a collective of university-based academics led them to make the following observation:

> Behind the smokescreen then is a vivid story of the rollback by the state, of contracting commitments for formal education, of the dismantling of the existing structures of formal education, proliferation of 'teach anyhow' strategies, a thrust on publicity management, and a neo-conservative reliance on community.[22]

This story did not end with DPEP but continues to date, by being internalised in Government of India's flagship SSA programme. The common link between DPEP and SSA is of course the World Bank and its allies such as DfID, European Commission and others which together contribute 35–40 per cent of the SSA plan.

From DPEP to SSA: Covering Up the Collapse

Although no official comprehensive review document has been made public, it would be reasonable to expect some evidence of a trend of improvement in the status of primary education in India as a whole in the official data as a consequence of the implementation of DPEP (1993–2002). This is because DPEP covered almost half of India's districts and was designed to achieve universal primary education, eliminate social and gender disparities, and lead to an overall improvement in learning outcomes. A scrutiny of several educational indicators[23] (Source: Government of India's Selected Educational Statistics for various years) allows us to make the following observation.

Almost no difference in the overall trends of change in such educational indicators at the primary (Classes I–V) versus upper primary (Classes VI–VIII) stages is perceptible during the period from 1990 to 2002 (which includes the pre-DPEP years as the baseline), even though DPEP was not implemented at the upper primary stage. This implies that the implementation of DPEP in half of India's districts has not improved the status of primary education to such an extent that its impact would be visible in the all-India data.

As the project duration of DPEP's two out of three phases was coming to an end in 2001–2, just before the Tenth Plan, the central government designed the much-hyped SSA on the basis of DPEP, despite lack of evidence of the latter's success. All the major misconceptions and fault lines of DPEP were re-packaged under the new SSA label. The same tendency continues to be dominant to date. With the SSA about to end in 2010, the Planning Commission has decided to extend SSA to the entire elementary stage in the Eleventh Plan, of course without a public review. Yet, the government's recognition of the imminent collapse of SSA is evident in the rewriting and dilution of SSA's objectives and targets in the Eleventh Plan so that the gap between these and the ground reality would not attract public notice. However, the World Bank and other international agencies, by continuing their financial assistance, goad the Indian government to camouflage the SSA collapse, rather than draw critical lessons for reforming the future policy design.

Impact of World Bank's Policies on the Education System

The following retrogressive policy changes relating to the entire education system (including secondary and higher and technical/professional education) under the influence of the World Bank-UN intervention may be listed.

GENERAL AND CONCEPTUAL IMPACT

1 The goal of education excludes building a democratic, egalitarian, just, secular and enlightened society. Instead, education has become an instrument for only improving productivity, promoting consumerism and establishing market control over knowledge and the public mind such that every human being becomes a 'useful' resource for global capital.[24]
2 Knowledge is not a heritage of humankind meant for optimising human welfare but a saleable commodity for profit, subjugation and hegemony in the hands of the capitalist class.
3 Educational development is not guided by the framework of either Universal Human Rights or Fundamental Rights under the Indian Constitution but by the global market framework.
4 Democratic structures of policy formulation and decision-making are either being by-passed or dismantled altogether.[25]
5 The state is steadily abdicating its Constitutional obligation towards education and letting the market become the unregulated 'service provider' of education from pre-primary to higher and technical/ professional levels.
6 Schools, colleges and universities are becoming 'service providers' and students their 'consumers'. In this 'Provider-Consumer' relationship, every student must eventually pay 'user charges' which implies payment of the full cost of the 'educational service'.
7 In contradiction of the Constitution, education of equitable quality is no more

the objective of educational planning. Instead, the quality of education shall be determined by the paying capacity of the student.

8 A common space for children from culturally diverse and economically disparate backgrounds to socialise and grow together is considered neither desirable nor feasible. This shift violates the logical foundation of publicly funded free and quality education system that has been the basis of capitalist development of the advanced countries.

9 Using the questionable rate of return theory, primary (or elementary) education is juxtaposed against higher education while allocating public funds. This undervalues as well as negates the critical role of higher education in creation and transaction of knowledge, thereby making developing countries dependent on the advanced countries for their 'knowledge economies'.

10 In higher education, only those disciplines will be supported through public funding which, at present, do not have any market value. The disciplines which have a market value shall receive no public support whatsoever as the market is expected to promote such disciplines. This implies that profit will determine the character of knowledge.

11 The Jomtien Declaration's insistence on developing only 'observable and measurable targets' has been used to trivialise the goals of education and distort the curriculum, pedagogy and testing in violation of the spirit of the Constitution. This behaviourist prescription reflected in the MLLs is what has adversely impacted upon DPEP and SSA.

12 In the name of social participation, the Jomtien Declaration has provided for the State to 'devolve' responsibility to NGOs, private companies and even religious bodies.[26] Keeping in mind the fund-driven nature of NGOs, profit motivation of corporate houses and rising religious fundamentalism, this stance of the Jomtien Declaration has dangerous implications.

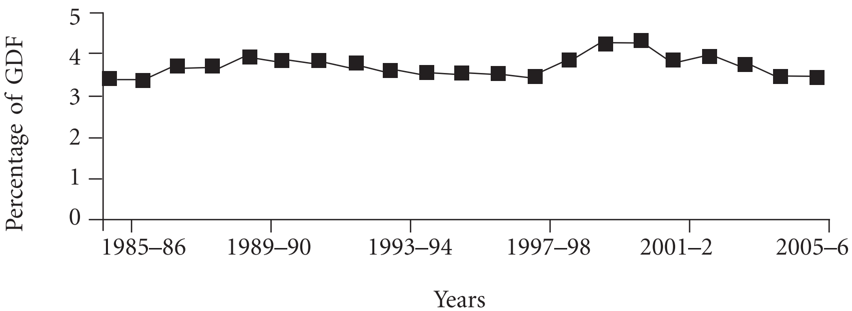
SPECIFIC IMPACT ON SCHOOL EDUCATION

1. A multi-layered school system is being built-up through a series of arbitrary and short-lived schemes and projects instead of building a publicly funded Common School System functioning through Neighbourhood Schools.[27]
2. The public expenditure on education as a percentage of GDP has been declining steadily since 1990, except for a two-year period from 1999 to 2001 (Figure 26.1). The level of expenditure as a percentage of GDP in 2005–6 was as low as it was before the 1986 policy. This decline took place despite the levying of 2 per cent educational cess[28] by the UPA (United Progressive Alliance) government and almost one-third of the funds for SSA coming from international agencies, including the World Bank. Clearly, the SAP prevailed over both the 1986 policy and UPA's National Common Minimum Programme which had resolved to raise educational expenditure to at least 6 per cent of GDP.
3. Declining public expenditure implies a gradual deterioration of infrastructure, a poor pupil-teacher ratio, lack of textbooks and teaching aids, and also a fall

in the standards of teacher training institutions. This will predictably result in low learning levels which the World Bank and internationally funded NGOs (see PRATHAM's ASER Report, Mumbai, January 2006) have promptly documented, as if they were waiting for the evidence of poorly functioning government schools to appear.[29] This deterioration in the quality of government schools provides the essential groundwork for privatisation and commercialisation of school education.

4. In order to promote privatisation, the government resists public pressure for legislative action to set minimum norms and standards or for instituting credible

Figure 26.1 Educational Expenditure as percentage of GDP



Source: Analysis of Budgeted Expenditure on Education for Various Years, Ministry of HRD, Govt of India.

systemic reforms in the government schools. This must be the logic behind the central government's considerable delay in passing the law for implementing the Fundamental Right to Education as required under the Supreme Court's Unnikrishnan Judgment (1993) or even the diluted Article 21A of the 86th Constitutional Amendment (2002). The norms and standards proposed in the Schedule of the Draft Right to Education Bill, 2008 (approved by the central cabinet in October 2008), are a major compromise with the quality of education—not an unsurprising consequence of World Bank's neo-liberal assault.[30]

5. The existing school regulation laws are being gradually diluted or withdrawn all together, as also implied in the Draft Right to Education Bill, 2008.
6. In the case of urban government schools, located on land carrying high market value, a policy of public-private partnership is ready in order to transfer their assets to private capital, even without waiting for the pretext of deterioration of their quality and consequent fall in enrolment.
7. Primary education of five years or less is the desired end objective for the children of the masses and this should replace elementary education of eight years, guaranteed under the Constitution.
8. Only those children who are either high 'performers' or 'achievers' in competencies

needed by the market or those whose families can afford the cost of education shall be allowed to proceed beyond primary education. For the rest, access will be confined to vocational skills so that they can serve the needs of a hierarchically controlled market-driven economy. The Eleventh Plan proposal of setting up 6,000 model schools is precisely in fulfilment of this purpose, so that the high 'performers' or 'achievers' from among the poor could be identified by screening and then honed for the global market.[31]

9. Parallel layers of education of varying quality shall be the only educational facilities provided to more than half of India's children. SSA, patterned after World Bank's DPEP, is designed to achieve this purpose.
10. Public-funded teacher training institutions are being allowed to deteriorate and be replaced by private institutions. Well-trained teachers shall be available only for private schools. Regular-trained teachers in government schools shall be replaced by 'para-teachers'. This, too, is the guiding theme of SSA. The financial estimates for implementing the Draft Right to Education Bill, 2008, are also based on this logic.[32]
11. Programmes like Bridge Courses and 'Back-to-School Camps', as provided for in SSA, shall be encouraged for the present as sops for the masses, even though they hardly provide access to functioning schools.
12. In the name of 'English-medium' schools, the majority of the children will be deprived of the power to articulate their thoughts in either their mother tongue or English, thereby resulting in lack of subject knowledge, critical thinking, creativity and, therefore, also general democratic consciousness. Given the inferior quality education, the only option for them will be to acquire some marketable vocational skills and join the exploited skilled workforce in the global market.
13. Those who manage to cross the barrier of senior secondary education will be able to access higher and technical/professional education in private institutions only with bank loans. In order to be able to return the loan following completion of education, they, too, will be compelled to mechanically contribute to corporate growth without ever being able to reflect upon the contribution they would be making to enhance the capacity of neo-liberal capital to further exploit global resources. The market objective of having an intellectually vibrant, creative and technologically competent elite segment of society but entirely subservient, regimented and ideologically co-opted could not have been better achieved.
14. Parallel institutional structures for financing and managing education are being created outside the government such that the state's role may be made superfluous.[33]
15. Using the rhetoric of decentralisation and 'community' participation, the legitimate functions of the government are being hurriedly 'devolved' to the Panchayati Raj Institutions and other local bodies without ensuring that (a) the government's obligation for adequate financing of education is fulfilled; (b) the local bodies have the necessary vision, administrative acumen or the legal powers to meet even the minimum challenges; and, more importantly, (c) the caste-ridden, patriarchal and

generally retrogressive character of these bodies will not be counter-productive. While resisting legislation to guarantee the Fundamental Right to education of equitable quality and to institute a Common School System, the State shall have no hesitation whatsoever to legislate to transfer its Constitutional obligations to the local bodies for which World Bank shall make available both direct and indirect funding. The real agenda behind all this is to dilute the role of the State and to enable the local bodies to directly negotiate and sign MoUs with World Bank. An identical process has already begun in several states by paving the way for privatisation of natural resources like land, forest and water. The next is the turn of about 1.2 million government schools when the local bodies in urban/rural areas shall be persuaded by the World Bank to transfer their assets for privatisation (the Draft Right to Education Bill, 2008, fully provides for this).

Miniscule Investments and Disproportionate Influence

In spite of the high-profile character of the externally assisted projects such as DPEP, the finance provided by them is miniscule, if not just outright ridiculous. From 1999–2000 to 2001–2, for example, when external assistance to DPEP was at its peak, the external assistance ranged between 0.039 per cent and 0.053 per cent of GDP respectively. For all externally assisted educational projects put together, it was only marginally higher (see Table 26.2). Even as percentage of the total expenditure incurred on education by the Centre and the states together, the external assistance ranged between 0.9 and 1.5 per cent. Yet, we have seen in the preceding sections how the World Bank and other international agencies managed to dilute and distort both the Constitutional vision of education and the 1986 policy passed by Parliament.[34] What further evidence is required for the steady attrition of India's sovereignty that has been taking place since 1991?

The aforementioned disproportionate influence exercised by the World Bank and its allied agencies required a two-fold strategy. First, the quality of school education was made to deteriorate by diluting the norms relating to various critical parameters. Table 26.3 presents the comparison of the norms, as per the 1986 policy, recommended by the Governement of India's Expert Group (1999) and the SSA (2000) norms (one-third of SSA funds come from World Bank and allied agencies). It shows how SAP conditionalities were dictating terms for educational planning and allocations.

The second strategy emerges out of the 'knowledge agenda' of the global market. For this purpose, the World Bank has carefully funded research, project evaluation and appraisal, consultancy, publications and international exchange of academia in order to co-opt intellectuals in its neo-liberal project, prevent generation of counter-knowledge and thereby subtly modulate the political economy of knowledge. The market control over generation, character, content and distribution of knowledge is certainly the most powerful method of manipulation and regimentation of the public mind, policies and critique, thereby maintaining the hegemony of global capital over

Table 26.2(a) External Assistance to DPEP as a Proportion of GDP and Total Expenditure on Education

Years	*National GDP (Rs in lakh crore)*	*Total Expenditure on Education (Rs in crore)*	*External Assistance (Rs in crore)*	*External Assistance as a percentage of GDP Expenditure on Education*	*External Assistance as a percentage of Total*
1999–2000	17.62	74,816	682.8	0.039	0.91
2000–1	19.18	82,486	858.3	0.045	1.04
2001–2	20.82	79,866	1,100.0	0.053	1.38

Table 26.2(b) Assistance to All Externally Aided Education Projects of the Ministry of HRD as a Proportion of GDP and Total Expenditure on Education

Years	*National GDP (Rs in lakh crore)*	*Total Expenditure on Education (Rs in crore)*	*External Assistance (Rs in crore)*	*External Assistance as a percentage of GDP Expenditure on Education*	*External Assistance as a percentage of Total*
1999–2000	17.62	74,816	729.1	0.041	0.97
2000–1	19.18	82,486	947.6	0.049	1.15
2001–2	20.82	79,866	1,210.0	0.058	1.52

Sources:

(1) Economic Survey 2002–3 to 2004–5, Ministry of Finance, Govt of India.

(2) Analysis of Budgeted Expenditure on Education, 1999–2000 to 2001–2 and the next two years, Ministry of HRD, Govt of India, Analytical Table No. 1.

(3) J. B. G. Tilak, *A Study on Financing of Education in India with a Focus on Elementary Education* (New Delhi: South Asia EFA Forum, NIEPA, May 2003), Table 31.

Note: *'All Externally Aided Projects' of the Ministry of HRD include DPEP, Shiksha Karmi (Rajasthan), Mahila Samakhya (Gujarat, Uttar Pradesh, Bihar and Karnataka), Lok Jumbish (Rajasthan) and GoI-UN Programme (Selected Blocks) as well as others.

the world's natural and human resources. People's movements need to decipher this epistemic challenge of the global market forces and imperialist globalisation in order to not only resist it but also to build a political programme of emancipative knowledge dedicated to human welfare and peace.

Concluding Remarks

As pointed out earlier, the UN agencies have uncritically towed the World Bank policies, thereby acting as its human face. Generally speaking, all major internationally

Table 26.3 A Comparative Presentation of the Norms of the Government of India's Expert Group (1999) and Sarva Shiksha Abhiyan (2000)

No.	*Norms*	*Expert Group*	*SSA*
1.	Pupil-Teacher Ratio	1:30	1:40
2.	Average Monthly Salary of Teachers	Primary – Rs 5,000 Upper Primary – Rs 6,000	
3.	Enrolment in Private Schools	NIL	15 percent
4.	Parallel Layers of Inferior Quality Schools for Alternative Schools and EGS Centres	NIL	A major role
5.	No. of Additional Teachers Required	35.6 lakh	11.5 lakh
6.	Total No. of Classrooms Required	43 lakh	11 lakh
7.	Free Uniforms, Scholarships, DIETs	Provision made	Not provided
8.	Integrated Education Development: Cost per Disabled Child	Rs 3,000	Rs 1,200
9.	a) Grant per School	Primary – Rs 3,000 Upper Primary – Rs 5,000	
10.	b) Grant per Teacher	Primary – Rs 500 Upper Primary – Rs 700	
11.	(a) + (b): Financial Implication	Rs 670 crore	Rs 395 crore
12.	c) Teaching-Learning Equipment:	Rs 1,029 crore	Rs 402 crore

Source: J. B. G. Tilak, *A Study on Financing of Education in India with a Focus on Elementary Education*, New Delhi: South Asia EFA Forum, NIEPA, May 2003, Appendices A.1 and A.2.

funded primary education programmes in India have pursued a common framework embedded in the Jomtien Declaration (1990), further fortified by the Dakar Framework of Action (2000) and UN's MDGs (2001). Invariably, all of the internationally funded projects/programmes have implied attrition of the Constitutional vision of education. Yet, the Indian State and the ruling class had no problem in accepting, adjusting and eventually colluding with this neo-liberal agenda. The following observation on the Jomtien Declaration is noteworthy:

> The language of the final document adopted by the Jomtien Conference merged human needs and market forces, moved education from governmental to social responsibility, made no reference to the international legal requirement that primary education be free-of-charge, introduced the term 'basic education' which confused conceptual and statistical categories. The language elaborated at Jomtien was different from the language of international human rights law.[35]

Even this stern observation failed to shake up the conscience of either the World Bank or the UN agencies or, for that matter, of the Indian State. There is no evidence that the Indian State even noticed this chilling assessment of the neo-liberal paradigm that has dominated its policy-making on education for the past seventeen years. This then sets the contours of the struggle which the Indian masses have to engage with, in order to move towards '*Sa Vidya Ya Vimuktaye*' (Education is what liberates).

Impact of the World Bank on Higher Education,

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I would like to highlight the impacts on policy for higher education, the influence that has been exerted by World Bank reports on this policy and the kinds of changes that have come as a result. The crisis in higher education is endemic. Higher education in India needs to be greatly expanded. Currently only 10 per cent of the relevant age group is engaged in higher studies.

There is a great need to provide access to higher studies to a wider section of India's population, which would imply support through public funding and regulation. Yet, public funding is being withdrawn from this sector and there is pressure on the government to facilitate the entry of private players, both local and foreign. In 1990–91, public expenditure, as a percentage of gross national product (GNP) and budgetary expenditure (BE) on higher and technical education respectively, was 0.46 per cent and 0.15 per cent of GNP and 1.58 per cent and 0.51 per cent of BE. By 2002–3, this was down to 0.40 per cent and 0.13 per cent of GNP and 1.31 per cent and 0.42 per cent of BE. This represented a cumulative decline in budgetary expenditure from 2.09 per cent to 1.72 per cent, which by 2004–5 was further reduced to 1.60 per cent. In higher education alone, the decline as a percentage of GNP is down to 0.34 per cent (2004–5) from 0.46 per cent (1990–1).[36]

The first major document that was to indicate an ideational change in education, a change that had already begun in higher education, was the 1994 document called Higher Education, The Lessons of Experience.[37] This argued that primary education should be the priority for developing countries and pitted primary education against higher education. The definition of higher education as a private goal or a quasi-private goal also puts pressure against relying on public funding for higher education. This further sets in motion the logic of looking for markets reforms and market alternatives for higher education. World Bank policies make no secret of their view that the best way to fund higher education is to put the whole burden or the cost on students.

This fragmentation and new definition of higher education actually undermines the idea of a system of universal education, which was one of the founding principles of the freedom struggle and which had subsequently been established through three decades of public education policy. This issue of dividing primary education from higher education is so obviously short-sighted that it is astounding that it could even have gained predominance. It is not possible to universalise primary education unless you are able to produce from a sound system of higher education the number of trained teachers that are required for a universal programme of quality primary education for all children.

Second, what is the point of providing elementary education if there is no real possibility of moving up to secondary or higher education? There has to be a continuum if it is to have any meaning at all. I suspect that in reality the introduction of the bifurcation of higher education is based on the concept of literacy in place of education for the poor.

This system of putting the onus of paying for higher education on the student or on the consumer (as it was later termed) has in effect created a system to deny quality higher education except to the very rich sections of society. The weaker sections, in the face of great financial stress and often indebtedness, are able to access only the poorest quality education. In fact, National Sample Survey (NSS) data has shown that in the period 1983–99, whereas private expenditure on higher education rose by 10.8 times, for the poor it rose even faster at 12.4 per cent. Public expenditure per student at the same time was 30 per cent less in the 2000s than it was in 1990–91. State expenditure on scholarships in higher education actually declined in 2004–5 to 0.24 per cent from the 1991 figure of 0.62 per cent.

The result naturally was that by the turn of the century, higher education was in deep crisis. It is at this time, interestingly enough, that the World Bank came out with another document. In the year 2000, the World Bank shifted its focus and 'concluded that without more and better higher education, developing countries will find it increasingly difficult to benefit from the global knowledge-based economy'.[38] The World Bank no longer targets higher education as a luxury, but it sees it as 'essential to survival in the developing countries'.[39] It then urges governments to take immediate action to expand and improve higher education because in all sectors of the economy, the demand for specialised skills is on the rise. The impact of this report is immediately felt in India.

In the same year, a report was commissioned by the Prime Minister's council on trade and industry, what in academia is known as the infamous Ambani-Birla report.[40] With the companion Model Act for Universities 2003, prepared by the University Grants Commission (UGC), it was intended to restructure higher education on the model of market-oriented enterprises promoting corporate values. It argued that higher education should be left to the private sector, including an investment of Rs 11,000 crore to double the number of institutions by 2015. It wanted the 'user pays' principle in operation, with loans and grants for the needy. The attempt was shelved because of strong opposition from academics and teachers' unions, and it is important to recognise that their opposition was well founded. However, in spite of this, the Ambani-Birla report has had its impact in India. Both the number of private educational institutions and enrolment in these institutions have shown a sharp increase since 2000–1. Unaided private institutions constituted 42.6 per cent of total post-secondary institutions with an enrolment share of 32.89 per cent. By 2005–6, this had shot up to 63.21 per cent and 51.53 per cent respectively.[41]

The next stage in prescriptions for reform of the higher education sector, the identification of new structures for regulation and cooperation between the disparate 'players' in the private sector and public/government was heralded with the launch of a World Bank study entitled *India and the Knowledge Economy: Leveraging Strengths and Opportunities*.[42] It was readied for implementation via a workshop that was held shortly afterwards in New Delhi and attended by crucial stakeholders in this sector. Michael Carter, then World Bank Country Director for India, states that the report is 'an important Bank input into the domestic consultation and reforms process which will move India further into the global knowledge economy'.[43] The report specifies in its goals that: 'To create a sustained cadre of "knowledge workers", India needs to make its education more demand driven by "relaxing bureaucratic hurdles" to allow the private sector to meet the burgeoning demand for higher education; putting in place accreditation systems for private providers; and increasing industry-university partnerships in research and application, including use of learning technologies for providing distance education across the board and for lifelong training and up gradation of skills.'[44]

It does not advise the Indian government to fulfil its commitment to invest 1.5 per cent of the promised total 6 per cent of GDP in education. Instead, the Government of India is directed to alter its relatively closed economy and to increasingly tap into the rapidly growing stock of global knowledge, through foreign direct investment and technology licensing.

India, we are told, has the strengths of skilled workers with knowledge of English and an impressive diaspora in the global economy. India's opportunities, we are told, lie in providing profitable niches in the information technology (IT) sector and in becoming a global provider in software application and testing services. So our unique selling point, we are told, is that we can provide a pool of skilled manpower, which must be increased to maintain what is our supposed competitive edge: the ability to provide low-wage workers in all these sectors. It has been estimated that to employ an Indian computer engineer is to pay less than one-fifth of what it would require to employ someone with the same qualifications in a developed country. The report calls for a national knowledge champion to advance this agenda and identifies of all places the Prime Minister's office as the most appropriate champion to coordinate and orchestrate the necessary knowledge-related actions across various domains. Interestingly, it lauds the National Knowledge Commission initiative,[45] saying that this is a very good forum for making timely recommendations for implementation to the Prime Minister's office. This is interesting because the National Knowledge Commission must be the first commission in the history of Indian academics, going back to 1882, which is not expected to provide a final report based on its deliberations and which is only intended to provide communications every so often to the Prime Minister's office for recommendations to be implemented.

The question to ask of higher education today is whether integration of higher education with the global knowledge economy, by opening up an education market for domestic and foreign capital, contributes to establishing a knowledge society. It certainly would protect the low-wage advantages that attract multinational corporations to India.

In conclusion, I would like to answer this question and say that to recognise and encourage excellence, wherever it exists, is a challenge to any attempt at creating an inclusive knowledge society. This demands a system of education with facilitating linkages between its different components. Higher education institutions in developing countries have a special role to play in strengthening civil society and in promoting national development. The impact of World Bank strategies has directed the reform process of higher education away from its national problems, conditions and environment. If subjected to the World Bank and WTO perspectives and strictures, higher education institutions would not only be unable to perform this function, but the very idea that higher education serves a broad social good would be undermined.

The Impact of World Bank Educational Programmes in the State of West Bengal

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I would like to say something about the education system across West Bengal. When we divide West Bengal on the basis of literacy, we can divide it into two parts: there are nine districts above the literacy rate of 69 per cent and ten districts below 69 per cent. The reason I mention this is because in these ten districts, the DPEP was started in 1995. But even after 14 years of the launching of the DPEP, there is no change in the situation. Until today those ten districts have the same literacy rate as before.

When the Sarva Shiksha Abhiyan (SSA) was launched, the stated target was to ensure that all children went to school. But in a survey of 2007, it was noted that 13 lakh students are out of schools. This is as per the child census. However, when we recalculated this figure in 2006 according to the annual report of the School Education

Department of 2001, the number of out-of-school children in the age group 5–9 years was approximately 125.92 lakh. But the SSA stated that in 2006, for children of the 5–9 year age group, it was 78 lakh. There is such a gross discrepancy in the figures provided by one department and the data of a wing of the same department. Further, the government claimed that 78 lakh are enrolled currently with 70 lakh in government schools and 8 lakh in private schools in 2007. What became of the balance 47.92 lakh children is anybody's guess.

Since the inception of SSA, there has been a steady reduction in public expenditure on education. I am quoting the 2000–1 annual report,[46] 'Expenditure on education as a proportion of state domestic product increased from about 3 per cent in early 1980s to 4.8 per cent in early 1990s and was around 3.5 per cent in the late 1990s.' Further, the expenditure on elementary education has been severely cut down. To quote from a government document,[47] 'Expenditure on elementary education was around 36 per cent in 1980–81, and between 1980–81 and 1987–88, it fell to around 33 per cent.'[48]

Due to changes in government policy, the number of government primary schools in West Bengal in 2000–1 was 52,385; and by 2007 they have been reduced to 49,863 schools. This means that 2,522 primary schools have been shut down. Now in lieu of this, the Shishu Shiksha Kendra was launched in 1997–98.[49] For this, around 17,000 para-teachers had to be recruited; that number has not been met.

In 2000–1, it was declared that there was a serious crisis of teachers in West Bengal. In 2004–5, the pupil-teacher ratio was 53:1, which was on par with Bihar, Uttar Pradesh and Jharkhand. The government claims it to be 39:1, but then again there are a lot of discrepancies.

Another major problem is the shortage of schools in the so-called backward areas. The Panchayat and Rural Development Department says that only 22.9 per cent villages have access to schools within a radius of 1–5 km. Operationally, too, there are problems since the advent of SSA. Today, elected bodies like district primary council are so powerless and money-less that they cannot do anything. Everything depends on SSA.

There is also a great difference between the number and quality of schools provided for the marginalised and for the more powerful sections of society. For example, there is a tribal-populated block named Behlpahadi in West Bengal where 23 per cent of the schools are single-teacher schools and the total figure for schools provided for in this district is just 6 per cent. Similarly in Gopilokalpur, another tribal-populated block, 16 per cent of the schools are single teacher schools. Single-teacher schools in reality mean no education.

Similarly, in some Muslim-dominated areas, there is no teacher and no classes are held. Yet, in another area which is populated by the upper middle class, the schools are run efficiently. It is also important to remember that in West Bengal the poor (comprised of SCs, STs and Muslims) constitute 54 per cent of the population.

This situation is heavily impacted by the growing trend of privatisation. In Bengal, any child who cannot afford private tuition is not even able to write her/his name. Only those whose parents can who afford private schools get any form of schooling. Last year we released our report on the Status of Primary education in West Bengal. It has also been noted that in some schools under the District Primary School Council,[50] children were asked to pay extra for books outside the syllabus, given by the government and to pay for a developmental fund, at the rate of Rs 100–130 per month. Needless to say, these practices are completely illegal.

Failure of the Sarva Shiksha Abhiyan in Maharashtra

PRATIBHA SHINDE

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When our country got independence, the tribals dreamt of bringing up their children happily in this country and contributing towards its development. After independence all of us know the status of tribals in this country. They have had to suffer the most displacement post independence. If 100 people have to be displaced for any mega project, 62 per cent of them will be tribals.

Apart from the denial of the right to livelihood and land, even on the education front, especially after the implementation of SSA, the condition of tribals in Maharashtra has worsened considerably. I will present a testimony of Nandurbar district in Maharashta. In Nandurbar, there is a sub-district called Akalkua where there are 89 per cent tribals. In this sub-district there are 221 schools. In ten schools there are no permanent teachers, 181 schools have only two teachers and forty have three teachers. 478 teachers are currently employed. The government has appointed 155 teachers but there is still a shortage of 120 teachers. The teachers appointed through the Employment Guarantee Scheme[51] are employed on a temporary basis with a salary of Rs 3,000 per month (US$ 73.34). In such a system, how can we ever provide quality education to these children or materialise the dreams of the great social thinkers and activists like Mahatma Fule and Savitri Bai Fule?

Under the SSA, 8,659 students are getting education through the Vasti school yogna programme.[52] We got a great response in that; 2,664 students got enrolled in that school. You can compare the number of students in the district schools and our Mahatma Fule School. The strength of the district school is 15,400 but the same in the Mahatma Fule school is more than 11,000. You see there 221 schools under the district administration, where as the number of vasti schools 335 in this akakula tehsheel. Out of them, 133 are under the Mahatma Fule Scheme, 32 under the Rajiv Ghandhi scheme and 107 schools under special scheme. We chose forty schools to study.

We chose thirty-three schools to survey and the conditions of these schools are simply pathetic. Akalkua is a 100 per cent tribal-dominated district. In this district we chose thirty villages. Our study was very revealing. We found that after the initiation of SSA, ten village schools were suddenly closed down. Four schools with a population of 150–215 students had only a single teacher. In twelve other schools, there were two teachers to a student population of 300–400. We saw only four schools with three teachers. Worse still many schools had no building of their own to operate from. In twenty-three villages, there were only three schools, all devoid of any classrooms. In only four out of the remaining twenty schools had classrooms, ten have single classrooms and six have three rooms. Libraries and separate toilets for girls are a distant dream.

In the earlier paragraph I mentioned the 607 schools. Of these, all do not have rooms of their own. They operate under trees or in a room provided by the sarpanch (head of local governance). Yet, the number of students in these make-shift schools is increasing and when we enquired why, we found out that the government is silently closing down its common schools.

In these 607 common schools, we admit students from the age group of 6–14 years, train them for one year and then send them back to their classes, according to their age. There are no regulatory checks. For example, in a village in Akalkua there is a resident by the name of Gorijabari Batte Singh. He has completed his Bachelor of Education degree and is now teaching in another district. However, his name is still on the rolls in the local school. In most of the SSA-run non-formal schools, the dropout rate is high and in almost all areas, the scheme has been reduced to providing nutritious food to students but no education.

Even in a city like Mumbai, the government-run schools are being closed in a systematic and well-planned manner. In Mumbai, 70,000 students are enrolled. However, 66 of the 1,200 schools run by the Mumbai municipality have already been shut down. The pretext given is that there are no students in these institutions.

The schools are being given out to NGOs or being used for commercial purposes. Some have even been converted into high-priced private schools run by private trusts. All this has occurred with the support of the World Bank. We have a colleague named Munna Bai. She comes from a tribal community. She feels that in the name of education the Bank intends to make slaves out of us. Their intention is that we should be sufficiently literate to read the number plates of the cars, signboards of shops and labels on commodities. This kind of literacy is needed to create consumers and provide cheap labour for the multinationals but cannot contribute to nation building or true development of thought and mind.

That is the reason why we must resist these programmes and schemes. As Prof. Kothari[53] says, at least 6 per cent of the GDP must be spent on education. All levels of education should be made free and universal. Even if we can guarantee this 6 per cent budgetary allocation on education, then education can be made free for all, and if this could be made 10 per cent of GDP, as Prof. Kothari said in 1966, then we can eradicate this problem of illiteracy from all sections of society. Let us hope that we will bring that dream to reality someday.

Notes

1. For its critique on the neo-liberal impact on higher education, this chapter has depended on Madhu Prasad's paper entitled, 'World Bank Prescriptions and Structural Changes in Higher Education in India', presented at the Independent People's Tribunal on the World Bank, New Delhi, September 2007.
2. For elaboration of the Constitution's vision of education (including Right to Education) and its conflict with the Indian State, ruling class and the neo-liberal policy framework, see the author's paper entitled, 'Right to Education, State and the Neo-Liberal Assault', presented at Independent People's Tribunal on the World Bank in India, New Delhi, September 2007.
3. Scheduled Castes (SCs) and Scheduled Tribes (STs) are groupings of people recognised by the Constitution of India as being historically oppressed and therefore entitled, under the Constitution, to special protection, development and compensation. As per the 2001 Census, they together comprised 24.4 per cent of the population.
4. Part IV of the Constitution comprises the 'Directive Principles of State Policy' that are not 'enforceable by any court' but are 'fundamental in the governance of the country' and the state is duty-bound to 'apply these principles in making laws'. In contrast, Part III comprises 'Fundamental Rights' that are enforceable in the courts. However, the Supreme Court's Unnikrishnan Judgment (1993) has ruled that whereas Part IV provides the goals of the Constitution, Part III provides the means to achieve these goals.
5. For detailed analysis, Anil Sadgopal's papers, 'Political Economy of the Ninety-third Amendment Bill', *Mainstream*, 22 December 2001, pp. 43–50; 'C for Commerce', *Tehelka*, 14 June 2008, pp. 44–45, http://www.tehelka.com/story_main39.asp?filename=cr140608cforcommerce.asp, accessed 18 November 2008.
6. This exercise was pushed by a retired director (an NRI) of the UNESCO Institute of Education, Hamburg, Germany.
7. Although the National Council of Education Research and Training (NCERT) was made to publish the Ministry's report on MLLs, it did not advocate this idea until the National Curriculum Framework was rewritten in 2000 under the National Democratic Alliance (NDA) government. By this time, the neo-liberal agenda had started dominating the thinking of India Inc.
8. Ministry of Human Resource and Development, *DPEP Guidelines*, New Delhi: Publication Division, 1995, Ch. III, p. 21; Rohit Dhankar, '*Seeking Quality Education: In the Arena of Fun and Rhetoric', in Seeking Quality Education for All: Experiences from the District Primary Education Programme*, Occasional Papers, The European Commission, June 2002 and 'Lessons to Learn', *Seminar*, No. 436, December 1995.
9 See Report of the NPE-1986 Review Committee (i.e., Acharya Ramamurti Committee), Ministry of Human resource and Development, Govt of India, Ch. IV, Section E, 1990, p. 100.

10. Anil Sadgopal, 'A Post-Jomtien Reflection on the Education Policy: Dilution, Distortion and Diversion', in *The Crisis of Elementary Education in India*, ed. Ravi Kumar, New Delhi: Sage, 2006).
11. The agenda of privatisation and commercialisation of education inherent in this innocuous looking notion of 'partnership' has after the passage of seventeen years appeared in India's Eleventh Five Year Plan in the form of 'public-private partnership' wherein the Indian state will transfer public funds and other critical resources (e.g. land), apart from legitimacy and credibility, to private capital for the commoditisation of education. A suggestion has even been made to set up '10 IIT-IIM level national institutes of teacher education' in PPP mode (Krishna Kumar, 'Partners in Education?', *Economic and Political Weekly*, 19 January 2008, p. 11). See this author's detailed interview in Hindi entitled, 'Sarvajanik-Niji "Saajhedaari" Ya Loot', *Shiksha-Vimarsh*, Jaipur, Rajasthan, January–April 2008, pp. 68–96.
12. For instance, the Karnataka government has constituted a World Bank-assisted body under Wipro's Azim Premji Foundation chairpersonship to advise on policy matters and also invited the same corporate group in 2007 to set up SIEMAT, a formal institutional structure for policy formulation relating to educational governance and teacher training—a move presently stalled due to public protests.
13. In contrast, USA provides entirely free education from kindergarten to class XII, which includes free textbooks, stationery, teaching aids (including computers), tests, co-curricular activities, games and sports, bus transport and lunch. Several other G-8 countries also provide free education.
14. The 'alternative modes of finance' for primary education suggested by the World Bank-UN collective in its background paper (Annexure 2, p. 146) on the Jomtien Declaration include private schools and user charges see http://unesdoc.unesco.org/images/0009/000975/097552e.pdf, accessed 18 November 2008.
15. Ministry of Finance, *Economic Survey 2007–8*, Government of India, New Delhi: 2008 Section 10.25, p. 249.
16. In 1999, the District Collector of Indore (Madhya Pradesh) in his report to the state's chief minister used the term 'rationalisation' to justify the closure of thirty government schools in Indore city, which were later turned into commercial ventures or police stations. Neither the collector nor the chief minister expressed any concern about where had the children gone who had either entered low fee-charging private schools in the neighbourhood or given up on education altogether. See Deenbandhu Samajik Sanstha, 'Indore Zila Sarkar's Intervention in School Education: Betraying Our Children in the Name of Decentralisation and Universalisation of Education', *Nai Duniya*, 31 May 1999, p. 4.
17. Ministry of Finance, *Economic Survey 1995–96*, New Delhi: Government of India, 1997, pp. 174–75; Ministry of Finance, *Economic Survey 2002–3*, New Delhi: Government of India, 2004, p. 225.
18. The 1986 policy norm for elementary school (Classes I–VIII) would require this to be established within 3 km of each habitation, while also ensuring that every habitation would have access to a lower primary school within 1 km. More than half a dozen states like Maharashtra, Gujarat, Karnataka, Meghalaya and Assam have primary schools ending at Class IV, thereby denying rural children access to Class V within 1 km of their habitation. This critical issue of school mapping was entirely ignored by the DPEP. In

contrast, the report of Bihar's Common School System Commission (2007) examined this issue and worked out its implications in terms of the size of the elementary schools, the primary-middle school ratio and the consequent increased financial allocations in order to ensure Fundamental Right to elementary education. This policy gap in Bihar is despite the implementation of the UN-assisted Bihar Education Project since 1990 and the World Bank-assisted DPEP since 1997. See Government of Bihar, 'Report of the Common School System Commission', submitted to the Chief Minister on 8 June 2007, Patna, Bihar.

19. The basis of selection of foreign experts for the JRMs and their academic credentials have been solely in the domain of the World Bank or their allied international funding agencies. Even more importantly, the value of the contribution made by foreign experts to JRMs is highly questionable in light of their rushed visits, absence of scientific planning, unfamiliarity with the complex local conditions and lack of transparency of their findings or reports.
20. Even the MoU signed between the World Bank and Government of India has never been made public.
21. Personal communication from several Indian experts on their return from the Joint Review Mission visits (Phase I) to Assam, Haryana, Madhya Pradesh, Maharashtra and Karnataka as well as reported by them in academic meetings at the Department of Education, University of Delhi and Lokshala Programme of Bharat Jan Vigyan Jatha.
22. Krishna Kumar, M. Priyam and S. Saxena, 'Looking Beyond the Smokescreen: DPEP and Primary Education in India', *Economic and Political Weekly*, vol. 36, no. 7, 2001, pp. 560–68.
23. Similar to those used by UNESCO in its annual EFA Global Monitoring Reports.
24. In this instrumentalist paradigm, in the case of women, education is primarily expected to lower infant and child mortality rates, reduce fertility rates and improve household nutrition and health (see World Bank, *Primary Education in India: Development in Practice Books*, New Delhi: Allied Publishers Limited, 1997, pp. 30–31 and 39).
25. The proposal of school vouchers and public-private partnership in education entered the Eleventh Five Year Plan without such recommendation by either the CABE or any of its seven sub-committee reports in July 2005, in spite of the CABE being the highest democratic consultative structure (with representation of all state/Union Territories' education ministers, central educational authorities, academics, writers, artists and social activists) for policy advice in education.
26. In June 2007, the Ministry of Human Resource and Development engaged the Global E-schools & Communities Initiative (GeSCI), a conglomerate of Ireland, Canada, Sweden, Switzerland and Finland, to prepare the draft ICT policy for schools. In turn, GeSCI roped in the Centre for Science, Development and Media Studies (CSDMS), a Delhi-based NGO which works in collaboration with Microsoft and others corporations (Outlook, 24 November 2008).
27. A publicly funded school system, similar to the proposed Common School System, exists in USA and other G-8 countries.
28. The education cess, introduced in 2004–5, is a special cess or surcharge levied at the rate of 2 per cent on all major central taxes, viz., income tax, corporation tax, excise duties, customs duties and service tax. The revenue from this cess is meant for elementary education. While the overall budgetary support is the source of funding for most developmental

sectors, this is not the case with elementary education which receives substantial resources through this earmarked educational cess. From 2007–8 onwards, 1 per cent additional cess is being levied to raise funds for secondary and higher education as well.

29. None of these reports analyse the systemic issues, documented in this chapter, that are responsible for such deterioration of quality, lest the neo-liberal framework is revealed. This is also true for the World Bank-sponsored research on teacher absenteeism and James Tooley's study of Shahadara's low fee-charging private schools in Delhi which tend to present privatisation as a panacea for educational backwardness. See James Tooley and Pauline Dixon, *Private Schools Serving the Poor: A Study from Delhi*, New Delhi: Centre for Civil Society, 2005; Centre for Civil Society 'Government Education: Are we Getting our Money's Worth?', http://www.ccsindia.org/SurveyReport.asp, accessed 11 September 2009; Michael Kremer, Nazmul Chaudhury, F. Halsey Rogers, Karthik Muralidharan and Jeffrey Hammer (2005), 'Teacher Absence in India: A Snapshot', *Journal of the European Economic Association*, Vol. 3, No. 2–3, 2005, pp. 658–67.
30. See Sadgopal, 'C for Commerce'.
31. See Anil Sadgopal, 'The "Trickle Down" Trick', *Tehelka*, 29 September 2007, http://www.tehelka.com/story_main34.asp?filename=Ws290907The_Trickle.asp, accessed 18 November 2008.
32. See Anil Sadgopal, 'Education Bill: Dismantling Rights', *The Financial Express*, 9 November 2008, http://www.financialexpress.com/news/education-bill-dismantling-rights/383177, accessed 18 November 2008.
33. The central government went to the extent of even setting up a private company called Ed.CIL in mid-1990s to manage certain key aspects of the World Bank and other internationally funded programmes in education. Likewise, SSA depends upon a host of ad hoc schemes introduced by corporate houses, NGOs and religious bodies.
34. Since 1991, more than a dozen policies measures and/or schemes of education (including DPEP and SSA) have been instituted in the country which violate either the Constitution or contradict the 1986 policy, or both. Yet, such programmes/projects and their violative elements have not been formally and explicitly debated and approved by the Parliament. It is part of the neo-liberal agenda promoted by the World Bank to weaken, bypass or demolish democratic structures and processes.
35. Late Professor K. Tomasevski, Special Rapporteur on the Right to Education to United Nations Commission on Human Rights. See K. Tomasevski, *Right to Education Primers No. 1: Removing Obstacles in the Way of the Right to Education*, Lund, Sweden: Raoul Wallenberg Institute, 2001.
36. Government of India, *Analysis of Budgeted Expenditure*, various years.
37. 'It is arguable that higher education should not have the highest priority claim on incremental public resources available for education in many developing countries, especially those that have not achieved adequate access, equity and quality at the primary and secondary levels. This is because of the priority these countries attach to achieving universal literacy; because the social rates of return in investments in primary and secondary education usually exceed the rates of return in higher education.…' (*Word Bank, Higher Education: The Lessons of Experience*, Washington DC: The World Bank, 1994, p. 47, para 3).
38. 'Peril and Promise: Higher Education in Developing Countries', Summary of Findings by the Task Force on Higher Education and Society, 1 March 2000.

39. Ibid.
40. Ambani-Birla Report, *A Policy Framework for Reforms in Education*, New Delhi: Prime Minister's Council on Trade and Industry, 2000.
41. M. Anandakrishnan, 'Privatisation of Higher Education: Opportunities and Anomalies', paper presented at the national seminar on 'Privatisation and Commercialisation of Higher Education', NUEPA, 2006, p. 49, para 2.
42. Carl Dahlman and Anuja Utz, *India and the Knowledge Economy: Leveraging Strengths and Opportunities*, Washington, D C: World Bank, 2005, http://info.worldbank.org/etools/docs/library/145261/India_KE_Overview.pdf, accessed 12 September 2009.
43. The workshop was organised by the World Bank on 28 June 2005 in New Delhi to discuss the World Bank study. See http://go.worldbank.org/UB8IIQERQ0, accessed 9 September, 2009.
44. Dahlman and Utz, *India and the Knowledge Economy*.
45. The National Knowledge Commission, http://knowledgecommission.gov.in, accessed 18 November 2008.
46 Department of School Education, *Annual Report*, 2000–1, Kolkata: Government of West Bengal, 2002.
47. Ibid.
48. Also see Mehrotra et al., *Universalizing Elementary Education in India: Uncaging the Tiger Economy*, New Delhi: Oxford University Press, 2005, p. 186.
49. Launched by the Government of West Bengal in 1997–98 for universalising of primary education. Conceived as a community-managed project in the absence of government-run schools in the area.
50. Rana et al., *Public Delivery of Primary Education in Kolkata*, New Delhi: Pratichi Trust, 2006.
51. The National Rural Employment Guarantee Act (NREGA, also known as National Rural Employment Guarantee Scheme, NREGS) was enacted on 25 August 2005. The NREGA provides a legal guarantee for 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage.
52. Government school programme for dropout school children aged 6–14 years, which was intended to provide remedial education for children and bring them back into the mainstream system. However, after some time the government closed down the main schools and only provided funding for these non-formal schools.
53. The Education Commission (1964–66), popularly known as the Kothari Commission, boldly declared, 'the destiny of India is now being shaped in her classrooms' (Section 1.01). It went on to conceive education as a critical socio-political process for building citizenship for a democratic, socialistic, egalitarian and secular society in India.

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The World Bank and Health

IMRANA QADEER, SUNDARI RAVINDRAN AND BIJOYA ROY

At the Independent People's Tribunal on the World Bank in 2007, eight health sector professionals presented on various aspects of the World Bank's involvement in Indian health care policies. The three presentations included in this volume touch directly on the private sector's encroachment on the public health system. Other important presentations at that forum included 'Population Policy and the World Bank' by Mohan Rao, analyses of World Bank impacts in health by Ravi Duggal and S. Srinivasan, the World Bank and HIV/AIDS by Rami Chabra, and issues of Accountability in Health by Dr Ranjani Krishnamurthy, presented on her behalf by Renu Khanna. These additional presentations are available on the Tribunal's website (www.worldbanktribunal.org). The below summations of Imrana Qadeer and Bijoya Roy were created by Laxmi Menon and S. Srinivasan. In addition the summation of Sundari Ravindran is also reproduced below.

The World Bank and Public Health

IMRANA QADEER

Public health is not about drugs, doctors and hospitals. It is about people's health, which in turn is an outcome of not just medical technology and services but a result of the ideas of welfare, democracy and socialism, ideas that ensure basic human rights. There is a global consensus that public health is a state responsibility and that health is an outcome of social and economic justice and development. There is agreement that the state needs to create the structure and the manpower to address the problem of health. We need to look at public health services as a whole, consisting of both medical technology as well as its organisation within a given social system. Public health therefore is influenced by the social, political and economic structures within which people live. These structures, which generate health and ill health, also control the nature of medical care and the public health services of which medical care is a part.

Following the 1978 Primary Health Alma-Ata Conference,[1] the Rockefeller Foundation, with the support of the World Bank, organised another conference and declared that comprehensive primary health care is not possible given the constraints of the 1970s.[2] They argued that it was necessary to talk about 'selective primary health care' (which meant that we select what is to be given on the basis of what is possible and not on the basis of what is needed) and that development is a long-term strategy and that it is necessary to do something now.

Killing the Concept of Public Health

The policy brokers at Bellagio argued that what was possible immediately was only that for which technology was available. The other requirements of Comprehensive Primary Health Care (such as community development through paying attention to employment, food production and availability, housing and drinking water, people's participation, self-reliance) called for another kind of development altogether. The technology that was available at that time was only a partial answer to primary health care, was primarily produced and controlled by multinational corporations (MNCs) and its wide implementation was to their advantage. Identifying priorities for the Third World, these agencies worked towards instruments such as Reproductive Child Health (RCH) for population control, immunisation for communicable diseases and pills of nutrition, thereby killing the concept of primary health care completely.

Investing in Health

By the early 1990s, World Bank documents started advocating that in health financing, overall cuts have to be introduced in areas where returns are low; that is, infrastructure—mainly manpower and monitoring systems. In 1993, the World Development Report[3] gave us two neat packages: one for clinical health and one for public health. All the nation's programmes which were tackling diseases that were widespread and serious were taken out of the public sector domain and put into the private sector (medical market). It was determined to be more efficient to treat everyone rather than diagnosing and treating individuals, even if such programmes will medicate those not needing treatment and may even harm them. The clinical package was very convenient for the World Bank and its partners since medical care was handed over to the private sector, eliminating the importance of public programmes. Monitoring was dismantled and the World Development Report said that service delivery such as drinking water supply and sanitation facilities should shift to the private sector, for which people had to pay.

The World Bank's strategy for economic growth included investing in health. This involved:

- Privatising medical care, thereby ensuring returns because the clientele becomes those who can pay;
- Cutback on subsidies;
- Setting public-private partnerships (PPPs).

The proponents of PPPs also introduced a change in the role of the government itself: governments need only supervise; so provisioning is not a part of the government's duty. The World Bank proposed the 'targeted' approach, and in this approach the targets are always the poor. As the poor have to be taken care of by the democratic state, the state has to buy the technology to deliver and this is where the MNCs come in. The United Nations set up the Millennium Development Goals which selected priorities that are feasible on the basis of available technologies, and the Global Fund[4] then steps in to provide monetary loans to buy and provide the technology.

Conceptual Distortions

Investing in health for profit was possible because the World Bank introduced many conceptual distortions, such as the following:

- De-linking clinical and public health services. This has been dangerously counter-productive because in public health, especially in infectious diseases, it is through curative care of very large populations that we control infectious diseases. Because we control infections, we reduce the pool of infection, and we control the spread of diseases. They took away that tool by dissecting out public health from clinical medicine.
- Talking about 'health systems' and breaking public health into discrete units, which they treated independently. In doing so, they avoided contradictions such as those arising out of the coming together of the public and private sectors—one for social service the other for private service, one accountable to society, the other not.
- Doing away with strategies of comprehensive family health care because health was completely dissociated from welfare inputs.
- No longer treating water, sanitation, housing and employment as central to the issue of health, unlike the initial years of Indian health planning.
- Monetising notions of efficiency. Efficiency in public health means that a large population is covered with optimum technology, while the World Bank's experts focused on lowering costs by any means. They changed priorities, made

unreasonable assumptions, and proposed major cuts in personnel to reduce costs. They also used new drugs to show increased effectiveness in a small number of people but their high costs ensured coverage of only a small population in real life situations. Therefore, pushing new and costly drugs in the programmes in the name of higher efficiency became more important than saving large numbers of lives.

Shift from Equality to Equity

It needs to be highlighted that there has also been a shift from *demanding equality* to talking of 'equity'.

Inequalities are rooted in the structures of societies: in social, political and economic structures. They are ideologically structured. An equity policy is concerned with creating a just and fair society rather than one where everyone is equal. In reality, under equity, the terms 'just' and 'fair' are defined by the dominant sections of society. Power and decisions rest with the dominant sections of society, not the marginalised. Policy is dictated by what the dominant sections of society will allow (such as reservations in higher education), not by what the marginalised require for equality. So today we do not talk of equality, we always talk of equity.

We must reject the World Bank's new concept of public health because it has no sound basis; it is a fraud and it needs to be exposed. Public health has to be looked at as a whole and those fighting the World Bank need to join with people working in water, education, employment and all sectors that can offer relief to common people because that is what health is.

The challenge to academia is to stop borrowing ideas from the Bank, which surely is ready to loan it all free. We have to protect our future generations by standing up, being accountable and struggling for a better world.

Health Sector Development Projects of the World Bank

SUNDARI RAVINDRAN[5]

Background

This presentation will focus on the Health Sector Development Projects (HSDPs) of the World Bank. The World Bank's involvement with India's health sector dates back to 1972. Between 1972 and 1988, the World Bank funded five population projects, helping the Government of India implement its family welfare programme. According to a review of the Bank's activities carried out in 2001, during this period the Bank did not have much influence on the direction of these programmes[6] or in setting policy in the health sector.

After 1987, following a reorganisation in the World Bank, sectoral work began to gain more prominence. A number of studies were carried out on India's health sector and in 1992 the Bank funded its first freestanding health project in India. By 2007, the Bank was supporting five specific disease-control projects (cataract blindness, leprosy, tuberculosis, malaria and HIV/AIDS) and nine HSDPs at the state level (in Andhra Pradesh, Karnataka, Punjab, West Bengal, Orissa, Maharashtra, Uttar Pradesh, Tamil Nadu and Rajasthan).

The nine HSDPs were implemented at the state level and aimed to reform the health sector in fundamental ways. This testimony focuses on the HSDPs, the changes they have attempted to bring about and the outcome of these projects where these have been completed and end-of-project evaluation documents are available. The information presented draws mainly on World Bank Project Appraisal and Evaluation documents.

State HSDPs provided the Bank 'with an opportunity to influence more fundamental determinants of how public health system works, to do at the level of the states, which are responsible for health care, and where the Bank can have more leverage than is possible at the national level'.[7]

A 1997 World Bank document[8] made recommendations for policy directions to be adopted by state HSDPs and an examination of the project components shows that most of these were implemented.

Some important recommendations were that state governments should:

- Develop essential packages of services to be publicly funded. These should be based, among other factors, on considerations of cost-effectiveness and the large positive externalities of the interventions. This is just a euphemism. It essentially means that states should not be funding anything except a small group of services, such as preventive health care and immunisation programmes.
- Create an enabling environment for greater private sector participation in health, through, for example:
  - Fostering PPPs;
  - Promoting the expansion of the private sector especially where they have comparative advantage, such as super-specialty and support services;
  - Providing incentives and developing schemes to finance, train and integrate private providers in case-finding, diagnostics and treatment for priority health problems, for example TB and HIV;
  - Increasing opportunities for contracting out of non-clinical and clinical services, because 'Private contractual services are often more efficient and effective than directly hired labour'.

These recommendations formed the backbone of the reform process for the health system in different states of India.

Components of State Health Systems Development Projects

The first state-level project was the Andhra Pradesh First Health Referral System Project, implemented 1995–2002. The objectives of this project were to:

- Improve efficiency in allocation and use of health resources through policy and institutional development;
- Improve systems performance of health care through improvements in the quality, effectiveness and coverage of health services at the secondary level to better serve the most needy sections of society.[9]

A series of policy reforms were spelt out in a Health Sector Development Policy Statement of the Government of Andhra Pradesh, towards achieving the first objective. Investments were to be made in improving physical infrastructure and clinical quality and effectiveness in twenty-one district hospitals, forty-nine area hospitals and eighty community hospitals. Assessment of the first objective was to be based on timely implementation of the policy reforms. The second objective was to be assessed through hospital activity, efficiency, quality and access indicators.

As part of policy reforms, user fees levied were to be increased at all levels of hospitals for outpatient services. While there is mention that the introduction of user fees was to be done 'while protecting the poorest section of society',[10] the criteria for exemption of the poor were not clearly spelt out. Another source of revenue generation was to be through setting up the special outpatient clinics and diagnostic services for the private sector.

The proportion of pay-ward beds was to be increased to at least 20 per cent in all district and area hospitals. The project was to add incremental beds to district and area hospitals, and 65 per cent of these were to be allocated as paying beds. Paying beds were to be of three categories: A, B and C, and the bed charges were to be Rs 50, Rs 30 and Rs 5, respectively. However, only 20 per cent of the paying beds were to be category C, reducing the proportion of beds available for low-income groups not below the poverty line. Those in category A and B beds were also to pay for major and minor surgeries. Drugs, disposables, X-rays and ultrasonography were to be charged separately.[11]

Contracting-out of services to the private sector was to be actively pursued. In terms of involvement of the private sector in health, the document talks mainly about monitoring the quality of services and improving referrals between the private and public sectors.

Another reform measure was to maintain the share of allocation to health in the government budget 'at least at current [1994] levels', and increasing the allocation for primary and secondary care as compared to tertiary care.[12]

Implementation of the Second State Systems Projects, covering West Bengal, Karnataka and Punjab, began in 1996. The main objectives of these projects were very similar to those proposed in the Andhra Pradesh project. This included: maintaining the share of allocation to health in the state budget and increasing the proportion allocated to primary and secondary care levels; expanding access to health care for the neediest sections of society; increasing user charges for outpatient and inpatient care and increasing the proportion of paying beds; encouraging contracting out, especially of 'support services'; and reviewing the role of the private sector.[13]

However, there were some important differences in the Second State Systems Projects as compared to the Andhra Pradesh project, especially in the role of the private sector. In Karnataka, the proposal was to develop legislation to regulate all medical institutions, public as well as private. In Punjab, regulations were to be implemented to improve service quality, and the Nursing Home Registration Act was to be implemented. Further, the private sector was to be 'encouraged to invest in health'. In West Bengal, the Clinical Establishment Act of 1950 and Rules of 1951 were to be reviewed and amended as necessary and the private and NGO sectors were to be monitored for quality of care.[14]

HSDPs were implemented in Maharashtra and Orissa starting 1998, with the same objectives as the Second State Systems Projects. The project appraisal documents for both these projects also contain detailed discussions on raising revenue through user charges 'while protecting the poor', and also mention monitoring and regulating the private sector.[15,16]

Uttar Pradesh was the next state to implement an HSDP, starting in 2000. The project appraisal document mentions the setting up of a public-private forum on health care, 'to develop an agenda for common action'. Further, private sector partnership was to be encouraged in training and manpower deployment.[17]

The language of the Rajasthan and Tamil Nadu HSDPs (2004) changes substantially from those of earlier projects, with access to the poor being mentioned as an important project component, rather than resource allocation, efficiency or effectiveness.

In Rajasthan, community-based health insurance schemes were to be piloted. PPPs were to be developed and implemented, not only with the NGO sector but also with the private (for-profit) sector for non-clinical, diagnostic and pharmacy services.[18]

The components of Tamil Nadu's HSDP were very different from those of the previous State Systems Projects. Its four major components were:

- Increasing access to and utilisation of services by the poor: reducing maternal and neonatal mortality; improving tribal health; and facilitating use of hospitals by the poor and the disadvantaged.
- Developing effective models to combat non-communicable diseases and accidents: supporting health promotion; pilot-testing clinic-based non-communicable disease control; and traffic injury prevention and treatment.
- Building capacity for oversight and management of the health system: improving monitoring and evaluation and quality of care; strengthening health care waste management; and building capacity for strategy development and implementation.

- Improving the effectiveness and efficiency of the public sector in delivering essential services: rationalisation of secondary care hospitals and of equipment; human resource planning and development; and enhancing management of public facilities.[19]

As part of the last component, several packages of PPPs with the NGO and private for-profit sectors were proposed by the project and included contracting out not only support services but also some clinical services, health insurance projects and counselling services.

Overall, HSDPs in all nine states have some common features, such as: introduction and increase in user fees in public hospitals; encouraging private sector participation in health through a series of policy actions; increasing quality, efficiency and effectiveness of services; and expanding access to care for the poor, Scheduled Castes (SCs), Scheduled Tribes (STs) and women. All HSDPs also mention the commitment to at least maintain at existing levels the proportional allocation to health in the state budget and the allocation to primary and secondary levels within the health budget.

Assessment of Outcomes of HSDPs

Six of the nine HSDPs have been completed: Andhra Pradesh, West Bengal, Karnataka, Punjab, Orissa and Maharashtra. There exist 'Implementation Completion and Results' reports, summarising the achievements of these six projects. In addition, a recently completed World Bank discussion paper provides information on equity effects of quality improvements in the Uttar Pradesh HSDP.[20] The descriptions in the following paragraphs on outcomes of the state HSDPs are based on these reports.

It is important to mention here that the project completion reports do not contain information on many of the indicators set out in the project appraisal documents at the beginning of implementation. For example, some states do not have a breakdown of service utilisation statistics by SCs, STs, women or population below the poverty line (BPL), although this is one of the major objectives of the projects. Where data is presented, it is not always clear how it was collected and the period and sample to which it pertains. There are also some indicators that are not well defined. For example, 'Increase in the number of admission to institutions under the project due to pregnancy-related complications to increase by 5 percentage points by midterm review and 15 percentage points by end of project.' It is not clear whether the denominator in this instance is all inpatient admissions to project institutions or all pregnancy-related admissions to project institutions. As a consequence, it is not easy to compare data for such indicators provided in the project completion reports with other sources of information or even to compare data across various HSDP projects.

ALLOCATION TO HEALTH IN STATE BUDGETS

One of the objectives of the HSDPs was to maintain the proportional allocation to health in state budgets. As Table 27.1 shows, this objective has not been achieved in three states and just achieved in three others. Overall, the share of health in the state budget remains below 5 per cent in all the states.

INCREASE IN SHARE OF RESOURCES ALLOCATED TO PRIMARY AND SECONDARY HEALTH CARE

A second important objective of the HSDPs was to increase the share of health resources allocated to primary and secondary care. This was in order to improve health system efficiency, on the grounds that treating a patient at a lower level facility (when appropriate) is more cost-effective. Barring West Bengal, the share of allocation to primary and secondary care increased in the remaining five states (Table 27.2). It is not clear, however, whether the total health budget includes the HSDP project fund, most of which was for infrastructure investments.

Table 27.1 Changes in Budgetary Allocation for Health

State	*Base line (percentage of state budget)*	*End of project (percentage of state budget)*
Andhra Pradesh	4.3 (1997)	4.5 (2001)[21]
Karnataka	6.0 (1996)	4.3 (2003)[22]
West Bengal	3.5 (1996)	3.8 (2003)[23]
Punjab	6.0 (1996)	4.0 (2003)[24]
Orissa	2.7 (1998)	2.8 (2006)[25]
Maharashtra	3.2 (1999)	3.38 (2005–6)[26]

Table 27.2 Changes in Allocation of Health Resources to Primary and Secondary Care

State	*Base line (percentage of health budget allocated to primary and secondary care)*	*End of project (percentage of health budget allocated to primary and secondary care)*
Andhra Pradesh	68.0 (1994)	71.0 (2001)[27]
Karnataka	57.5 (1996)	90.1 (2003)[28]
West Bengal	84.3 (1996)	80.8 (2003)[29]
Punjab	55.0 (1996)	64.3 (2003)[30]
Orissa	83.0 (1998–99)	85.0 (2002–3)[31]
Maharashtra	79.8 (1999)	80.0 (2005–6)[32]

EXPANDING ACCESS TO HEALTH CARE, ESPECIALLY FOR THE POOR, SCS, STS AND WOMEN

All HSDP project completion reports indicate a substantial rise in the total annual number of inpatients and outpatients in public hospitals. For example, in the 160 secondary hospitals covered by HSDP in Andhra Pradesh, the number of inpatients increased from 0.6 million in 1995 to 1.2 million in 2001. The annual number of outpatients increased from 9 million to 18.2 million during the same period.[33] In West Bengal, Punjab and Karnataka, the percentage increases in number of inpatients in project hospitals were 30, 65 and 84, respectively, and the corresponding figures for increase in outpatients were 45 per cent, 112 per cent and 72 per cent, respectively.[34] In Orissa, the increase in outpatient attendance was 72.5 per cent, but no specific information on increase in inpatient admissions is given.[35] For Maharashtra, the increase in outpatient attendance is said to be 'substantial' (no figures are given) and no information is available on overall inpatient admissions, but the number of surgeries are reported to have increased continuously.[36]

Information on utilisation of health care services by the BPL and SC/ST populations and women is limited. For Andhra Pradesh, there is a mention that 75 per cent of the beneficiaries were below poverty line and 18 per cent of inpatients were SC/ST.[37] For Orissa, there is no breakdown of users by sex, caste or poverty level. In Maharashtra, the proportion of women among outpatients increased from around 30 per cent at baseline to 50 per cent at end of project, but the targeted increase from 10 per cent to 15 per cent for the ST population was not achieved. The report fails to mention the actual percentage change.[38] West Bengal, Punjab and Karnataka do not report on the proportion of BPL or SC/ST populations among inpatients or outpatients.

Information on change in the proportion of institutional deliveries is fraught with ambiguities. For example, for Andhra Pradesh, it is stated that institutional deliveries 'increased by 36 per cent' between 1996 and 2001.[39] It is not clear whether the increase is as a proportion of all deliveries in the state or as a proportion of all admissions to the hospitals covered by the project. The Orissa report states that there was an 81 per cent increase over the baseline in the number of deliveries taking place in project institutions.[40] Deliveries as a proportion of inpatient admissions were 12 per cent in project hospitals in Maharashtra at baseline, and did not increase beyond 14 per cent at the end of the project.[41]

Data is available for four out of six states on the share of institutional deliveries in total deliveries and share of institutional deliveries by public and private sector in 1999 and 2003 (a period covered by the HSDPs in West Bengal, Punjab, Karnataka and Andhra Pradesh [Table 27.3]). Similar information is also available on institutional deliveries amongst poorest groups for these same states (Table 27.4).

It can be seen that the proportion of institutional deliveries among all deliveries has increased overall, including within the poorest groups, except in Karnataka. In every state, the share of institutional deliveries in the public sector has declined during the project period and that of the private sector has increased (except for

Table 27.3 Institutional Deliveries (IDs) in Selected States, 1999–2003[42]

State	*Percentage Share of IDs in total deliveries*		*Percentage Share of IDs by public sector*		*Percentage Share of IDs in private sector*	
	1999	2003	1999	2003	1999	2003
Karnataka	49	53	55	33	45	67
West Bengal	37	49	77	74	23	26
Punjab	42	46	97	26	3	74
Andhra Pradesh	46	59	35	33	65	67

Table 27.4 IDs by Poorest Groups in Selected States, 1999–2003[43]

State	*Percentage Share of IDs in total deliveries*		*Percentage Share of IDs by public sector*		*Percentage Share of IDs in private sector*	
	1999	2003	1999	2003	1999	2003
Karnataka	30	30	77	75	23	25
West Bengal	16	27	92	93	8	7
Punjab	20	24	91	21	9	79
Andhra Pradesh	29	33	48	47	52	53

West Bengal where it decreased marginally). The increase is particularly dramatic in Punjab and further probing is needed to establish what lies behind this change within a period of four years.

For poor women, the public sector remains the main delivery service provider only in two states: Karnataka and West Bengal. A little more than half of those who have institutional deliveries in Andhra Pradesh and the vast majority in Punjab seek care from a private facility. Factors underlying the lower use of public facilities in these two states even by the poorest groups need to be investigated.

IMPROVEMENT IN QUALITY OF CARE

In all six states, considerable investment has gone into developing infrastructure: better buildings, more beds, more equipment and drugs, and more facilities with vacancies for health providers' positions filled.

Information on improvement in actual quality of care (waiting time, privacy, adequate time spent with provider, drug availability, availability of diagnostic services when needed and quality of patient-provider interaction) is nowhere to be found.

A feeble mention of some client satisfaction surveys is made in all reports. These suggest increase in satisfaction with a few features such as cleanliness or drug availability. There is no mention of proportion of clients expressing satisfaction, profile of those satisfied versus those not satisfied, and the specific aspects of care patients found to be better after the projects were implemented.

A study of the Uttar Pradesh HSDP (before end of project) shows differences in the proportion of satisfied clients by income level and, to a smaller extent, by caste status. Between 1999 and 2003, mean patient satisfaction scores declined for all patients, with the decline being steepest among the lowest 40 per cent of the population.[44]

COLLECTION OF USER FEES

This was reported to be very successful in all states, with collections from user fees increasing many-fold even in real terms. All states exempted those the below poverty line from user fees. User fees collected at 149 secondary hospitals in Andhra Pradesh increased from Rs 0.1 million in 1995 to Rs 18 million, April–December 2001.[45] In Punjab, the increase was from Rs 4 million to Rs 120 million in 2003 and in Karnataka from Rs 3 million in 1997 to Rs 145 million in 2002.[46] In Orissa, the increase was from Rs 3.8 million in 1998–99 to Rs 26.3 million in 2005–6, in real terms.[47] West Bengal and Maharashtra only mention increases but no figures are given.

INVOLVEMENT OF THE PRIVATE SECTOR

None of the project completion reports give any details of work with the private for-profit or not-for-profit sector.

In Andhra Pradesh, all 160 upgraded secondary hospitals contracted out at least some non-clinical services, such as cleaning and facility maintenance (100 per cent), laundry and security (98 per cent) and ambulance services (63 per cent). This is said to have 'reduced costs and increased efficiency markedly', but no supporting evidence is provided for reaching this conclusion.[48] Regulation of the private sector, review of existing and implementation of new legislation, and monitoring of quality of care in private sector facilities were among objectives mentioned in the appraisal documents for five of the states (West Bengal, Karnataka, Punjab, Orissa and Maharashtra). However, the project completion reports are silent on these aspects. It is also not clear whether or not steps were taken to encourage/promote the private sector's participation through new partnerships and so on.

Discussion

From its own project completion reports, it may be seen that the Bank-funded state HSDPs have had limited success. One of the issues of concern is the low proportion of state budgets allocated to health and actual decreases in some states. Once funding from the project comes to an end, there is likely to be a major financial crisis in the health sector of these states.

Another issue of considerable concern is that the proportion seeking delivery care in public facilities has fallen in all HSDP states despite substantial investment in infrastructure improvements and while figures show an increase in numbers of users of private facilities. At the same time, a large proportion of poorer women seeking institutional delivery are dependent mainly on public sector facilities. Further investigation is required to establish whether the HSDPs have resulted in better targeting of delivery services to benefit the poor and the proportion of poor women who are unable to use even the public sector facilities because of costs involved.

The equity implications of HSDPs are not at all clear because so little data has been collected on this aspect. Likewise, information on changes in quality of care is also scanty. Not much is known about the functioning of contracting services and of any steps taken to regulate the private sector. Failure by the project to track information on salient indicators relevant to assess project outcomes is surprising and not acceptable for projects of such scale.

Overall, after completion of the projects, state HSDPs appear to have contributed most to increase in infrastructure and collection of revenue through user fees. The issue of user fees needs to be considered at some length.

Econometric studies based on household survey data have found that vulnerable groups without access to financial resources, for example adolescents, the elderly and women not engaged in the formal economy, have greater price elasticity for health care services as compared to the rich.[49] This means that when fees are introduced or increased, these groups of people will be discouraged from using both preventive and curative health services. This in turn has both equity and efficiency implications: poorer and vulnerable groups experience an increase in adverse health outcomes, seeking care in more advanced stages of illness and becoming more impoverished. In addition, because of the seriousness of the problem, when people finally present to the health services, the cost to the health system and to the households will be greater.

Widening inequalities following the introduction of user fees are well documented in China. According to the 1993 National Health Services Survey, 60 per cent of rural patients who had not complied with physicians' advice of hospitalisation reported inability to afford the cost as the main reason. It is estimated also that 30–50 per cent of rural households living below the poverty line became impoverished because of illness.[50]

According to the World Health Organization (WHO), if equity is the objective, then user fees 'should not be chosen as [a] source of financing except for low-cost relatively predictable needs … and should not be used unless no other alternative is available'.[51]

Even the World Bank, the main proponent of user fees, now recognises that fees can have adverse consequences for the health of the poor. The chapter on 'Health, Nutrition and Population' in the Bank's *Poverty Reduction Strategy Paper (PRSP) Source Book* clearly states that alternative mechanisms to user fees should be actively sought, and where user fees become necessary because of budgetary constraints, 'fees can be designed such that they do not create barriers at the point of use for the poor, through the use of waivers, prepayment, credit or other options'.[52]

The extent to which poor and vulnerable groups have been protected through exemptions from user fees needs to be investigated, since studies from several countries indicate that the poorest often do not have the resources to establish their poverty and so claim exemption.

In the light of the aforementioned evidence, it is important to study the consequences of increases in user fees for hospital services for access to care by vulnerable groups. This is especially the case in states where user fee revenue is reported to have increased several fold, for example, Punjab and Karnataka.

User Fee Policy in West Bengal: A Case Study

BIJOYA ROY

Across developing countries, restructuring public sector medical care became a common feature in the 1980s and 1990s. Health sector reform, as part of broader economic policy changes, focused on contracting out clinical and non-clinical services to private contractors, the casualisation of jobs and the implementation of user fees. User fees are out-of-pocket expenditure at the point of service delivery. For example, a consultation charge or other payment for services at the outpatient department of a hospital would be called user fees.

During the 1980s and 1990s, when user fees were promoted and implemented, an exemption from fees was granted to primary health care due to the large externalities involved and due to considerations of equity. The World Bank introduced targeting of health care services through public finance. It charted out that essential primary health care services would be financed by the public sector since poorer populations would utilise these services. However, this targeting implied that poor people use sparingly the other institutions in the health care hierarchy. Box 27.1 outlines the World Bank's major health policy publications and Indian Health projects which promoted user fees during the 1980's and 1990s.

User Fees and the West Bengal HSDP

User fees were promoted in West Bengal during a time when the state's financial situation was critical; health services were under-funded and were seen as avenues for additional revenue. The World Bank-sponsored State Health System Development Project (SHSDP II) was implemented in 1996. The World Bank recommended that the state revise and periodically restructure user fees. The World Bank and the state government shifted the financial responsibility of health care to the population through cost sharing. During the 1990s, user fees were revised three times, in 1992, 1995 and 1998. The last revision of user fees took place in 2001. Revision over time has led to a complex system of fees, even within individual hospitals.

Premising World Bank Health Sector Reform guidelines, in 2002 the West Bengal health department set out its own reform guidelines, starting with a small booklet

Box 27.1 World Bank Involvement and Policy on Health Care Financing 1985–2005

1985:	Paying for Health Services in Developing Countries (*Working Paper)*
1987:	Financing Health Services in Developing Countries
1993:	World Development Report: Investing in Health
1995:	India Policy and Finance Strategies for Strengthening Primary Health Care Service, Report No. 1304-IN
1996:	India Health Systems Project II, Report No. 15753-IN
1997:	India—New Directions in Health Sector Development at the State Level: An Operational Perspective. Report No. 15753-IN
2001:	Macroeconomics and Health: Investing in Health for Economic Development, Report of the Commission on Macroeconomics and Health, WHO
2005:	Report of the National Commission on Macroeconomics and Health, MOHFW, New Delhi

called *Health Sector Reform*. It set out the target of cost recovery at a rate of 3–10 per cent by the end of 2008 and 2009.[53]

User fees were charged for services such as outpatient (OPD) consultation, diagnostics, blood collection and for occupancy of beds. It was found that the major proportion of revenue was generated from diagnostic services, followed by bed charges. Despite cost recovery targets, in one tertiary hospital, over the period 2002–3 to 2005–6, the user charge collection did not go beyond 2.14 per cent. Similarly, it did not increase as a percentage of total expenditure. In fact, in general, the user fees advocated for non-salaried investment played a very marginal role[54] and it did not generate enough revenue.

On the one hand, user fees were introduced to generate revenue and, on the other hand, to make health care inclusive, subsidies were also introduced. In principle, these two strategies are contradictory in nature. Hence, the concept of exemption was brought in. The second strategy also highlights concerns around how then user fees act as a barrier to health care access. User fees were implemented in all hospitals in West Bengal, medical college hospitals, other teaching institutes and state general, sub-divisional and district hospitals.

Shifts in User Fee Policy

The findings of a study on shifts in user fee policy, looking at the years 1995, 1998 and 2002, revealed:[55]

- User fees were graded between secondary and tertiary hospitals and also between wards in the same hospital. There were different charges for OPD services, pay beds and cabins. With each revision, new gradations were introduced, which made the user fee structure complex. With the last user fee revision, diet charges were introduced in 2002. It was also recommended that the number of pay beds be increased to 30 per cent of total beds.

- The exemption policy had two components: waiver categories and services exempt from charges. In the waiver category, exemption from charges was granted to families with low monthly income (i.e., BPL families). Exemption was also granted in special categories. For example, children with orthopaedic problems in Kolkata would receive a 50 per cent exemption from charges. Treatment costs for children below 1 year were also exempted in 2007. However, it was not clear how these special categories could actually access exemptions, and with each revision some previous exemptions were withdrawn. For example, certain minor operations for OPD patients which were previously done free of cost were charged beginning in 2002.
- In actual practice, exemption worked in a complicated manner. Hospital beds were categorised into free and pay beds. Hospital authorities interviewed said, 'the concept of free beds did not work'. Free beds were treated as paid beds if the patient could not provide a BPL certificate within three days of admission. The situation was similar for other services.
- Diagnostics included tests such as TMT, Colour Doppler and Echo Cardiography, which cost Rs 300–20. However, these tests come with many accessories which increase the total actual cost. For such tests, patients with a BPL certificate were not given automatic exemption but had to apply directly to the State Health Department for specific exemption orders.
- For the most part, hi-tech diagnostics, like CT scans and MRI services were no longer directly provided by state government hospitals. One district hospital still provided a CT scan service, as opposed to two tertiary hospitals in Kolkata where through PPP its provisioning is arranged. The state government fixed a price for patients referred by government health institutions to private organisations. It also fixed the number of patients who would be given exemptions per month. On average, two patients per day (the first two patients with BPL certificates) were given exemptions by the hospitals. In effect, a rationing policy was introduced. Not all patients with BPL certificates were given exemption and in practice only partial exemption was given.
- In 2002, out of five district hospitals, only one had leprosy ward with twenty beds. By early 2007, this ward had been closed down, reflecting a policy of gradually closing down free wards earmarked for chronic communicable diseases.

Key Observations from the Study

The exemption policy acquired different meanings under different service delivery mechanisms. The poor could rarely reach the highest level for exemptions and found it difficult, if not impossible, to access specialised clinical care. Public sector providers acted as private providers. More than providing resources for public sector hospitals, user fees became the means of pushing certain services out of poor people's reach and smoothing the process of privatisation in profitable areas of work such as hi-tech investigations.

Notes

1. First International Conference on Primary Health Care, held in Almaty (formerly Alma Ata), presently in Kazakhstan, 6–12 September, 1978. See http://www.who.int/hpr/NPH/docs/declaration_almaata.pdf, accessed 30 November 2008.
2. Health and Population in Development Conference in 1979, Bellagio, Italy, sponsored by the Rockefeller Foundation, the World Bank and USAID.
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4. The Global Fund to Fight AIDS, Tuberculosis and Malaria is an international financing agency consisting of governments, corporations and individuals. See www.theglobalfund.org, accessed 30 November 2008.
5. Dr Sundari Ravindran is Professor at the Achutha Menon Centre for Medical Sciences in Thiruvananthapuram, Kerala. She has also worked in and consulted for several national and international organisations, beginning with the Rural Women's Education Centre (RUWSEC), which she helped found at Chingelput near Chennai.
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31. Human Development Unit, South Asia Region, Orissa Health Systems Development Project. Report No. ICR12.
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28

Structural Adjustment in Karnataka State

VINAY BAINDUR

The World Bank portfolio in Karnataka has grown rapidly in recent years. Five Bank-financed investment projects amounting to a total of about US$750 million were under implementation in the state. In addition, Karnataka is participating in several Bank-financed multi-state projects. The state thus accounts for almost 6 percent of the World Bank's portfolio in India.

Three new investment projects for a total of US$ 531 million are under implementation in Karnataka—a state health systems project (US$ 131 million), the Karnataka Municipal Reforms Project (US$ 250 million), and the Karnataka Panchayat Strengthening Project (US$ 150 million). The Karnataka Community Tank Rehabilitation loan II is also on the list.

In addition, the Bank supported the state's development agenda through the Karnataka Economic Restructuring Programme. Two Economic Restructuring Loans/Credits have already been disbursed—US$ 150 million in June 2001 and US$ 100 million in March 2002.

Apart from lending projects, the Bank has been providing the state with technical assistance and advisory support on a variety of policy related matters.'[1]

This is how the World Bank introduces its role in the state of Karnataka on its website. How is it that with such (alleged) active participation by and support from the Bank, Karnataka has been dragged into the abyss of economic deprivation, suicides and an imbalanced and jeopardised growth pattern? For whom is this technical and economic support being invested?

Karnataka is a state in southern India which had a reputation of being at the forefront of economic growth. Since the 1980s, Karnataka has emerged as the pan-Indian leader in the field of information technology (IT). By 2007, there were nearly 2,000 firms operating in the state. Many of them, including two of India's biggest software firms, Infosys and Wipro, are also headquartered in the state. Exports from firms exceeded Rs 50,000 crore (US$ 12.5 billion) in 2006–7, accounting for nearly 38 per cent of all IT exports from India. All this has earned the state capital (Bangalore) the distinction of being called the Silicon Valley of India. Yet in 2007–8, the state registered a lower growth rate of gross state domestic product (GSDP) than the previous decade.[2]

The Structural Adjustment Programme and Its Implications

This chapter argues that the World Bank, through its project-specific loans and state-level public sector adjustment reform and restructuring loans,[3] has converted a state government and its economy into a 'corporatised' entity, meant to generate funds for private sector and enterprise development. The four reform programmes identified within the World Bank Karnataka Economic Restructuring Loans (KERL) were:

1. *fiscal control* (withdrawal of subsidies and other public expenditure cutbacks);
2. *administrative reforms* (cutbacks in government employment and reductions in pension and wage structures);
3. *private sector development* (disinvestment in the public sector and creation of a better environment for private investment);
4. *poverty monitoring*.

Thus KERL-I through a reform process created an enabling environment for business in the state. This was done through the enactment of legislation such as the Ceiling on Government Guarantees Act 1999 (COGA), Karnataka Transparency in Public Procurement Act (KTPP) 2000, Karnataka Fiscal Responsibility Act 2002–3 (KFRA) and the Industries Facilitation Act (IFA) 2004.

Each of these laws was meant to decrease the role of the public sector. In COGA, this was done by cutting off government guarantees to state public sector undertakings, in KRFA by reducing budget subsidies and setting limits on government borrowing. The KTPP and the IFA were brought in to improve the business climate by reforming state procurement procedures through the creation of the Single Window Agency (SWA) for the acquisition of land and services.

A range of other reform measures such as cutting food subsidies, setting limits for social sector funding, reduction in power sector subsidies to farmers, privatisation of public sector commercial enterprises, layoffs and VRS (voluntary retirement schemes for government staff) were also carried out. Thus, in the course of 2001 and 2002, the government of Karnataka confirmed its reputation to the World Bank as one of India's lead 'reform-driven' states.

Hence, the Bank, with a relatively small total loan of US$ 250 million (roughly Rs 1,300 crore)[4] has directed an entire process of structural adjustment with multi-tier impacts on the state economy. These impacts have proved particularly disastrous for the poor and for small and medium industry. It has also led to a highly lopsided development pattern that is Bangalore-centric and exhibits a marked bias towards the IT and biotechnology sectors.

These loans have also encouraged the enactment of policies such as the Mahiti IT Policy (2000), the State Water Policy following the National Water Policy of 2002 and the Urban Drinking Water and Sanitation Policy (2003). The last is a World Bank-created policy which overtly suggested a 20 per cent annual tariff increase for drinking water.

The loans and their attached conditions have had a strong bias towards funding elite-oriented and expensive capital-intensive infrastructure. For example, the Karnataka Municipal Reforms Project (KMRP) has funds for roads which cater to IT company locations and campuses. In Bangalore, for example, there is a 10-km flyover from one part of Bangalore to the Electronic City area in outer-Bangalore, which was initiated at the instance of the founder of Infosys. This four-lane express way over the existing road is going to cost Rs 775 crore rupees (US$ 17.5 million).[5] At the same time, citizens and slum dwellers in Bangalore will not get any additional water supply until 2012.

Impacts of the Reform Process

The impacts of such reforms can be seen by looking at the sharp drop in the state's ranking in the Human Development Indicators from 1991 to 2001. This is substantiated by data on rising income disparities, which are most prominent in cities like Bangalore. The income of the highest 20 per cent is sixty times more than the lowest 20 per cent (Bangalore Development Authority Draft Master Plan 2005). Recent data, recorded in 2005 by the National Economic Census and released by the Ministry of Statistics and Programme Implementation (MoSPI) in 2006,[6] clearly shows that:

- Karnataka's growth in urban employment (0.91 per cent) ranks lower than all the southern states of India: Andhra Pradesh (1.32), Kerala (8.08) and Tamil Nadu (3.78). It also ranks lower than the so-called backward states Uttar Pradesh (1.40), Orissa (0.99) and Chhattisgarh (1.19).
- Karnataka's growth in rural employment (2.69 per cent) is also lower than other southern states: Andhra Pradesh (3.05), Kerala (4.21) and Tamil Nadu (5.43). It also ranks lower than so-called backward states Uttar Pradesh (4.98) and Chhattisgarh (3.82).
- Comparing growth in both rural and urban enterprises, Karnataka again fares worst among all the southern states of India.
- Karnataka also has a decreasing number of primary and high schools despite an increase in school education expenditure.

Moreover, as part of the restructuring programme, the number of below the poverty line (BPL) cardholders was reduced from 64 lakh in 2001 to 42.7 lakh in 2004–5.

Similarly, food subsidies were drastically reduced from Rs 295 crore to Rs 170 crore in 2004. There was also a decrease in the quantity of food grain available per family from 35 kg to 25 kg.[7] Data released in September 2007 illustrated that the state food subsidy budget had to be increased to Rs 800 crore per year to counter deprivation, and the number of BPL poor also increased due to the impact of the reforms and the successive drought years. The government survey stated that there had been an increase in BPL poverty, with 86 lakh families defined as BPL in September 2007 out of a total 1.16 crore families, amounting to 74 per cent of the families in the state.

As mentioned earlier, KERL I and II have directly led to the agri-rural crisis. There have been more farmer suicides in Karnataka than in Vidarbha (Maharashtra), between 2000 and 2004. During this period, 8,600 farmers committed suicide in Karnataka.[8] Those who committed suicide were mostly small farmers deep in debt to moneylenders. A major contributory factor has been the rapid and exponential rise in power tariffs due to power sector reforms. The monthly cost per horsepower per month tripled from Rs 10 to Rs 30 and free power to agricultural handsets and pump sets was withdrawn.[9] There is well-documented evidence, as well as media reports, of farmers who have committed suicide after being suddenly confronted with electricity bills from Hubli ESCom.[10] The Fiscal Responsibility Act of 2002 (a condition of the KERL) has made the rural distress even worse, as it does not allow the state administration any flexibility to deal with the farm and rural crisis.

Property taxes have gone up drastically, property tax assessment methods have changed and collection pressure has increased. A new infrastructure levy has been introduced and all over Karnataka water and electricity tariffs and land values have increased.

Karnataka is also a trial ground for many other pilot projects which go under the broad heading of Urban Sector Reform. The Bangalore Agenda Task Force (BATF) was formed in 1999 with support from the World Bank and implemented by Janaagraha (a non-governmental organisation [NGO] which claims to increase citizen's participation in urban governance but in reality represents only a small section of the urban elite). Janaagraha's founder was appointed as the Chairperson of the National Technical Advisory Group for Jawaharlal Nehru Urban Renewal Mission (JNNURM) by the Ministry of Urban Development. The Government of India has applauded Janaagraha as a leader in supporting urban sector reform and the eGovernments foundation.[11] The founder of Infosys is a common link in all these associations; he was the chairman of BATF, supports Janaagraha and is a trustee of the eGovernments foundation. Four reforms included in JNNURM were evolved through these organisations. They are:

(a) e-governance,
(b) community participation,
(c) municipal disclosure law and
(d) an interim accountability platform (such as BATF).[12]

Based on the Bangalore model, other cities and regions (including Delhi, the north-east, Punjab, Puducherry and Mumbai) also commissioned projects by the e-governments foundation.

By adopting a techno-managerial approach, these urban sector reforms are being dominated by bureaucrats and technocrats bypassing local government. Elected councils were neither consulted during the signing of the KMRP loans which extend to fifty towns nor in signing of the Asian Development Bank's (ADB) North Karnataka Urban Sector Investment Programme (NKUISP) which covers twenty-five towns. In both cases, crucial information regarding the loans, assurances and agreements is not available or accessible in Kannada.[13] As the result, a large majority of the state's citizens are excluded from decision-making activities regarding city or state development priorities.

At the World Bank Tribunal in India, 2007, movements and groups from Karnataka representing the state's largest constituencies and affected communities testified regarding the impact of World Bank-engineered reform processes in Karnataka. To support the primary arguments, three cases from the power, water and urban infrastructure sectors were discussed at that forum. Given in the following is a brief note on each of these depositions.

Power Sector in Karnataka

Karnataka is one of the few well-performing states that did not take a sector-specific loan in the power sector from the World Bank. The Karnataka Electricity Board (KEB) had refused the offer for a loan from the Bank as it was performing well and did not see any reason to restructure and privatise. However, on 12 February 2000, the government of Karnataka signed a memorandum of agreement with the Ministry of Power, Government of India, to embark upon a time-bound reform and restructuring of the power sector in the state. The Memorandum of Understanding stated that Karnataka would unbundle[14] KEB and privatise distribution.

In 2001, the government of Karnataka took the KERL loan of US$ 250 million to be paid in three instalments in order to support cross-sectoral reforms. One critical conditionality of the KERL was to reduce the fiscal burden of the power sector and to improve power sector supply quality and access. In order to do this, the government was expected to carry out the following four reforms:

- financial recovery,
- restructuring,
- private sector participation,
- efficiency reform.

The overall objective behind this was to bring about a reduction in financial losses of the sector and improve customer satisfaction with power supply.[15] Thus, although the Bank was not directly involved in the state's power reform package, it laid the foundation for the process and the direction it should take, through conditions stipulated in the KERL.

In keeping with these conditionalities, the government of Karnataka undertook a series of reforms, including passing of the Karnataka Electricity Reform Act (1999), constitution of the Karnataka Electricity Regulatory Commission (2000), corporatisation and unbundling of Karnataka Electricity Board, and unbundling distribution where in place of one state agency, four companies according to the state's four geographic zones would now distribute electricity. Moreover, the new power policy made the state regulatory bodies into independent authorities with quasi-legal powers and asked for discontinuing the electricity subsidy as a policy.

This shift towards privatisation, for efficiency and rationalisation of the industry, set in motion a host of other phenomena which have serious implications for the majority of the state's population. While some of the arguments in favour of increasing efficiency in the electricity industry are sound, there are several gaps in and fallouts from this reform model. From experience one can clearly point out several problem areas, such as inadequacy in the system of public participation in tariff setting and other regulatory processes, high expected future tariffs, underestimation of farmers' requirements, disregard for the issue of developing rural transmission and distribution networks, and undermining of employee concerns.

A central theme underlining most of these concerns is that privatisation and removal of subsidies alone do not address several problems in the former model. In a developing country like India, core sector utilities had and still need to have a social agenda. There is a need to balance this with the objectives of efficiency and economy. It is a well-established fact that the increased role of the less-regulated private sector in core sector utilities often produces negative secondary effects. Even when costs go down due to increased production efficiency, improved technology or more effective use of economies of scale, the following impacts are just some of the areas for potential social conflicts:

- reduction or removal of agricultural subsidy to marginal farmers;
- lack of access to electricity for economically vulnerable households and small industries;
- disregard for infrastructure investment and maintenance in rural and distanced locations;
- unacceptably poor rehabilitation of local communities uprooted from large-scale projects.

These problems have arisen as a result of the need of private operators to recover their investments. Thus, the present reform process unleashes contradictory and conflicting forces.

The depositions at the Tribunal highlighted the following major impacts of the World Bank-induced experiment of power sector reforms in Karnataka:

- There has been an unacceptable governance shift from providing power for social and development needs to providing power for profit.
- The newly formed Electricity Regulatory Commissions do not address the needs of the sector and create a complicated and undemocratic structure for regulating the sector.
- There are fundamental imperfections that underpin the objectives with which these reforms were sanctioned.
- The reforms process has resulted in a steep rise in power tariffs in the state, leading to other social and economic problems.
- The impacts of these reforms have been contrary to the government's prerogative of supporting a subsidised living package for the state's poor.

Water and Urban Infrastructure

As in other parts of the country, the water sector has received huge funds from various international lending agencies for its reform in Karnataka. Urban water supply is in a rather poor condition, with water supply being as irregular as once in ten days in some towns and cities. While making this critique of the water sector reforms, the author is conscious of the fact that even today the problems that the urban poor face in terms of access to water are quite serious and that these reforms will only serve to aggravate this crisis.

The World Bank, which drives the reform process in Karnataka, has supported two key water sector projects: the Karnataka Urban Water Sector Improvement Project (KUWASIP) 2004 and the Greater Bangalore Water and Sanitation Project (GBWASP) 2003–4. Project documents highlight that in the opinion of the Bank: 'Water Supply and Sanitation (WSS) service in India, particularly in Karnataka, has a long history of poor performance, and the current trends indicate that the situation is worsening.'[16] The World Bank goes on to list the 'key pervasive issues that affect the sector in Karnataka, which include poor sector performance, a weak institutional framework, lack of capacity and financial sustainability and a weak enabling environment for private sector participation'.[17] The government of Karnataka has adopted this analysis almost verbatim as evidenced in its Government Order (GO) on KUWASIP 2004. It is amply clear that the government of Karnataka has toed the line drawn by the World Bank and has blindly adopted its analysis of the situation and solutions as well.

In Karnataka, as far back as 1997–98, there were attempts made at privatising the water supply in Bangalore but the active protests by the Bangalore Water Supply and Sewerage Board (BWSSB) Employees Association put an end to that plan. Following the National Water Policy of 2002, Karnataka passed a State Water Policy and followed this with its Urban Drinking Water and Sanitation Policy, which states that 'Private sector participation (PSP) will be encouraged in various aspects of planning, investigation, design, construction, development and management of water resources projects for diverse uses, wherever feasible.'[18] In 2005, the government of Karnataka amended the Karnataka Municipal Corporations (Water Supply) Rules to facilitate the entry of the private sector in urban water supply, which was previously barred. In urban water supply, thanks to this policy influence, several reforms were initiated, including the privatisation of the operation and maintenance (O&M) component in four city corporations in north Karnataka (Hubli, Dharwar, Belgaum and Gulbarga). This was part of the World Bank KUWASIP loan.

These successive policy changes and specific projects have resulted in fundamental changes to the supply of water and poor people's access to water services in urban Karnataka. One obvious reform has been the outsourcing of O&M to private sector actors. For instance, in KUWASIP, Compagnie Générale des Eaux (Veolia) has bagged the contract with regard to the four cities in north Karnataka. The same was planned for Bangalore under the GBWASP, but the Campaign against Water Privatisation—Karnataka has been instrumental in stalling this. Some of the more concrete impacts of KUWASIP include:

- 100 per cent metering;
- No free water supply—public taps being disconnected;
- User fees—according to the State Water Policy, 'Water rates for various uses will be revised in a phased manner and fixed so as to cover at least the operation and maintenance charges of providing services';[19]
- Introduction of the concept of beneficiary capital contributions;
- Upfront capital cost recovery from citizens for water supply by beneficiary capital contribution in GBWASP, with project completion likely in 2012.

The atmosphere thus created and the discourse produced is one that makes private sector partnerships appear not only feasible but also inevitable. The role of NGOs, water experts and consultants has been given unnecessary prominence. Further, funds that the private water sector lobby and the international financial institutions (IFIs) are routing to NGOs to conduct studies (for instance, to demonstrate 'willingness to pay' by the urban poor) are helping to create the discourse of 'nothing comes for free'. This seems to indicate again that in order for the private sector to use water supply as a profit-making venture, it has to (*i*) ensure a monopoly with minimum regulation and (*ii*) give no entitlements or options to the poor except to use the company's services. By doing this, the right to water is also nullified.

For the past two years, several organisations, NGOs, community based organisations (CBOs) and concerned individuals organised themselves under the banner of Campaign against Water Privatisation, Karnataka. This campaign opposes the state government's decision to privatise water supply to the eight urban local self governments (ULSGs) around Bangalore. After hearing the experiences of the affected communities, especially disadvantaged groups in the cities, the campaign has actively opposed the project and the privatisation of water services in general. The campaign's key demands are the following:[20]

- There needs to be public engagement and discussion on the issue of water scarcity and its extent. This also needs to be understood from a social stratification perspective, considering that in some cities the richer localities do not face any water scarcity compared to the situation in the slums.
- Democratisation of public water services.
- Special care for the urban poor and other disadvantaged groups in society.
- Reforms to ensure water supply, which current reforms do not. For instance, the drive towards 100 per cent metering does not ensure water supply. Twenty-five slums in Bangalore were recently metered but water supply does not reach there.
- No to private sector participation, given experiences around the world.
- Free lifeline water supply (minimum water supply approx 35 litres per capita per day (lpcd) to be provided free).

In this context, there have been large-scale actions and campaigns in the last few years at the village, city, and state levels to raise, discuss, debate and critique the policies and projects of the IFIs in Karnataka.

In Conclusion

Despite these realities and the gravity of impact of the loans, the World Bank and the Government of India look upon Karnataka as a model state. As the people of the state continue to face hardships inflicted by the structural adjustment policies of the Bank, other states are being told to emulate the Karnataka model and achieve similar 'good practices' in reform. The need of the hour is to channel the momentum and participation of various sections of society (especially urban and rural community-based organisations with membership of poor people, NGOs, trade unions, traders' associations, scientists, researchers and others) to evaluate the impact and the motives of the World Bank in Karnataka. This also becomes crucial since many loans are in their second phase and further 'reforms' are on the anvil.

Notes

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6. Fifth Economic Census, 2005, Ministry of Statistics and Programme Implementation, http://www.mospi.nic.in/index_6june08.htm, accessed August 2006.
7. Karnataka Medium term fiscal plan 2004–5, http://www.kar.nic.in/finance/mtfp/mtfp-2001.pdf, accessed 12 September 2009.
8. Parvathi Menon, 'Loan as Lever', *The Frontline*, Vol. 21 No. 23, 6–19 November 2004, http://www.thehindu.com/fline/fl2123/stories/20041119002004200.htm, accessed 12 September 2009.
9. Parvathi Menon , 'Loan as lever'.
10. Hubli Electricity Supply Company. Between 1996 and 2000, the total number of cases of suicide in the state by persons coming under the category of Farming and Agricultural Activity was 10,959 (Crime Records Bureau, Government of Karnataka). Between 1 April 2003 and 21 October 2004, as many as 852 farmers committed suicide (Department of Agriculture, Government of Karnataka)
11. eGovernments Foundation is a not-for-profit trust that was founded in February 2003 by Nandan Nilekani and Srikanth Nadhamuni with a goal of creating an eGovernance system to improve the functioning of city municipalities, leading to better delivery of services to their citizens.
12. The reforms and implications under JNNURM have been covered in detail in the next section, in the chapter on urban renewal.
13. Kannada is the local language spoken in Karnataka, as well as the official and administrative language of the state.
14. The separation between networks and production/trade/metering/sales of electricity is often referred to as 'unbundling'. In general, four different models for unbundling can be distinguished, presented in increasing order of magnitude of economic and legal separation: (a) administrative, (b) management, (c) legal and (d) ownership.
15. KERL project documents 2002.
16. Initial Project Information Document, Karnataka Urban Water and Sanitation Sector Improvement Project, Report No. AB16, World Bank, 2003 http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2003/04/23/000094946_0304090402247/Rendered/PDF/multi0page.pdf, accessed March 2007.
17. Ibid.
18. Karnataka Urban Drinking Water and Sanitation Policy, 2002.
19. Karnataka State Water Policy, 2002; Karnataka Urban Drinking Water and Sanitation Policy, May 2003.
20. Pamphlet issued in September 2005 for the rally and public meeting in K. R. Puram, near Bangalore, on the outskirts of the city.

VI

Land Grabs and Displacement Struggles

29

The World Bank and Forests

ASHOK CHOWDHARY

India's Forests have fallen under the ever increasing reach of privatisation. The people who live in the Forests are being forcibly resettled or brought under new forms of privatised management systems or both. This chapter puts forth the idea that neither private firms nor centralised government should control the forests. The World Bank has been at the center of forest management in India. The following paper discusses some of these projects, their political implications and their impacts. The main paper, written by an activist resisting World Bank policy for decades, looks at the history of World Bank funded forest management in its political context. Following Chowdhary's overview, Malika Verdi and Vasavi Kiro discuss impacts on local democracy and S. R. Hiremath concludes with a specific case of the forcible evictions of forest people.

This chapter will discuss the political premises involved in the World Bank programmes in forestry from the perspective of an activist and someone actively opposing World Bank programmes. To our understanding, the World Bank's programme is basically political in nature. Their attack has been political, so the discussion will be on the political points with some references.

When we were young, in the student days, in 1968, as a part of member of the Student Movement we opposed the invasion of the World Bank in our country. I remember in 1968, Robert McNamara, then president of World Bank, visited Calcutta (now Kolkata) and the whole Student Movement opposed it and we organised a city-wide demonstration to not allow him to enter Calcutta. Because Robert McNamara was a criminal of the Vietnam War and responsible of killing thousands of innocent Vietnamese, we opposed his visit. So I carry that heritage of opposing the World Bank because it was headed by a war criminal. The World Bank cannot be a friend of the poor (which it claims to be) with such a person heading it. And that tradition has of course continued under Paul Wolfowitz.

'*Zalim ko jo na roke, woh shamil he zulm me; Zalim ko jo na roke wo shamil he zulm me. Quatil ko jo na toke woh quatil ke saath he.*' This expression in Urdu means, 'those who do not resist tyrants are with the tyranny; and those who do not oppose the murder, they are with the murderers.' This is the position of the movement: people who do not oppose the World Bank, the other international financial institutions and the large corporations are with the brutal murder of our democracy and our social emancipation.

The symbiotic relationship between forests and forest people has always been attacked by external forces. The British colonial power made the forests their eminent domain. This resulted in a process of exclusion of forest people from the natural resources which also formed their political and cultural base. After independence, this process continued in the forest areas in the name of scientific forestry and environmental protection. The involvement of the World Bank was meant to strengthen the eminent domain of the state rather than empowering the people through their projects. Forestry is very dear to World Bank, not because it is beautiful but because it has immense natural resources. The World Bank heavily funded the Government of India's Forest Department by promoting national parks and sanctuaries. This had the effect of displacing people from forest areas, their culture and their livelihood. The World Bank often bypassed provincial governments and directly funded the forest departments.

The World Bank's so-called 'eco-development' projects in ten such protected areas displaced people from their natural livelihood resources in the name of providing alternative employment, which never worked. The theory of 'eco-development', promoted by an international lobby, ostensibly means the involvement of local people in developing the ecosystem. In practice, it displaces people and provides employment that is not sustainable or suitable to their lifestyles. For example, communities used to cattle herding for centuries were discouraged from this practice and were asked to work on 'projects' like poultry farming and pig farming. These communities were never consulted before these projects were imposed on them. In a few cases, Muslim communities were asked to rear pigs, which also went against their cultural sensibilities.

This has resulted in serious conflict situations in most of these areas, notably in the great Himalayan Park in Himachal Pradesh, in Nagarhole Park in Karnataka and Kanha Park in Madhya Pradesh. These conflict situations gave rise to a very complex law and order problem. If a forest community protested against a World Bank project, the protest was treated as a law and order issue because protests were not allowed in forest areas, which were the domain of the provincial government. This happened despite the fact that the situation was created by a project funded without any consent of the provincial government, who do not have any say in the management of the national park sanctuaries.

The World Bank's involvement in the forestry sector started in the 1970s through a project called Joint Forest Management (JFM) in Arabari, in the district of Midnapore, West Bengal. The Bank created the project with such a popular-sounding name. Many of the programmes started or named by the World Bank usurp very popular notions, which movement people and organisations have been cherishing for years. From JFM they shifted to Participatory Management, then to Community Forest Management. They use this kind of terminology very cunningly to convince many of our young friends and experts that the World Bank is working for the prosperity of our forest people.

Through the JFM project, plantation work was supposed to be shared between the people and the government. It was supposed to promote the growth of forest and also the growth of income of forest people and forest workers. But later this project became widely exposed as a hoax. The people did not get anything for their 25 per cent share, whereas the forest department profited heavily. The initiator of this programme within the Forest Department, Dr Ajit Banerjee, became critical about this project and is currently campaigning against such projects all over the country along with the movement groups.

With JFM, they basically took away the traditional forestry programme, initiated by the people in the community, and inserted a new demography, a new kind of people in the forest areas. The Bank did this as did our former colonial power, when they attacked our forest in the eighteenth century. Like all alien forces, what they try to do is to create a new class of people within that system. The British introduced contractors and the forest official in order to take away the rights of local people, including their traditional system, their economy and their culture. Similarly, the World Bank also tried to introduce a new class of people in the name of 'Forest Protection Committees'. Through JFM, they were supposed to create these people's committees which were instead mainly composed of contractors. In Madhya Pradesh, Chhattisgarh and even in Jharkhand they tried to introduce people from outside and *intentionally* create a conflict within the forest communities. Numerous incidents of violence took place in Madhya Pradesh, Chhattisgarh, Orissa and in the Garhwal region in Uttarakhand. They wanted to create a conflict situation so that the whole forest department, the whole state, the domain, would remain intact. By way of these tactics, the forest has remained under the state domain. It has remained under the rule of this elite class rather than by the people who live there.

In the 1990s, the World Bank supported this JFM programme and extended it to many states, including Madhya Pradesh, Uttar Pradesh, Uttarakhand and Andhra Pradesh. In some states, it was implemented as a Community Forest Management (CFM) Project. But everywhere it created serious conflicts because it introduced outsiders in all of the 'Forest Protection Committees'. Through the CFM programme, tribals were displaced from the Fifth Schedule areas in Andhra Pradesh. Some 200 non-governmental organisations (NGOs) were engaged (and used) in this conspiracy.

In 1931, there was a system called the 'Van Panchayat', which was governed by the village panchayat and was under the supervision of the Revenue Department and not the Forest Department. They had their own forest staff and forest guards who used to be paid in kind; that is, through a traditional system where whoever works with the villagers gets grain. There was no wage system. The purpose of this system was to provide what is called in today's terms as 'food security'. What the JFM programme (1993) did was to capture some of the Van Panchayats, which they thought were successful, to avoid getting into the process of forming committees. They straight away captured the Van Panchayats and then declared that this is a successful programme. Then they introduced a system of paying cash (1994) to the forest guards (Van Panchayats were not consulted in this decision). So, the volunteers who were selected by the 'Van Panchayat' were now getting cash wages and this stopped the business of food security. Many of the 'Van Panchayats' could not cope with the change in this system.

In Uttarakhand, the World Bank tried to replace the time-tested Van Panchayat system with the JFM, by introducing these cash payments for protective activities in place of the traditional system of payment in kind with natural benefits.[1] In Uttarakhand, there was a system of People's Reserve Forests from the 1930s through the 1960s. In this system, local people used to manage the Reserve Forests that would provide them with livelihoods and a resource support system, while Van Panchayats provided fuel and fodder. With the abolition of such people's reserves, there has been a serious problem of livelihood resources. The World Bank Project, instead of protecting such traditional methodology, introduced the JFM programme, thus further marginalising the poorer communities.

Interestingly, they introduced many NGOs for promoting JFM, most of whom were not involved in the forest movements. This disturbed the 'Van Panchayat' system which used to be run mainly by women. After the JFM programme was withdrawn in 2005, NGOs are no longer working in the forestry sector. They have shifted to other sectors which have funding, such as health. So, this has basically become a market. The whole objective of the programmes of the World Bank (and it is not only World Bank, there are many other international institutions which came to the forest business in India) is the commodification of forest produce. They want to make the forest a commodity and they value it accordingly. The relationship with forests for the people is not based on a commodity relationship. The forest is a part of livelihood and of culture and has been for thousands of years.

Thus, the main strategy of all World Bank-supported forestry programmes was basically to dispossess the communities of their traditional rights over the forest resources and to introduce management by outsiders and the government-run forest department. For this reason, when the World Bank wanted to introduce a JFM-type of programme in Jharkhand, the movement groups there resisted openly and raised their voice against the plan. Due to the Chhotanagpur Tenancy Act (CNTA),[2] the World Bank could not introduce the programme without the support of the tribal panchayats, which is necessary under the CNTA. After the failure of JFM, they tried to claim the forests under the name of Participatory Forest Management. There was a massive resistance in Jharkhand and I was part of the movement. My organisation, the National Forum of Forest People and Forest Workers and the constituent group Jharkhand Jangal Bachao Andolan (Save the Forest Movement Jharkhand) vehemently opposed this and the programme never got started in Jharkhand. They are now calling it Community Forest Management, as mentioned earlier, they keep changing the names of what is basically the same project.

Now the World Bank is operating through other agencies and banks in various project areas like dams and power. Most recently, in the name of climate change and carbon trading, the corporations, with the help of the international financial institutions, are attacking all forest areas. The World Bank is calling it public-private partnership (PPP), which is a very popular term now. They are claiming that degraded forests are going to be replanted through PPPs and through this they want to create bio-fuel material. This is being done in the name of resisting and opposing climate change. But this is purely business. Now, what will happen to the communities who depend on these areas?

We have been mobilising people as part of a movement for the Forest Rights Act. The World Bank also supports this Act. But we should be very clear about this: the World Bank supports it because it thinks that the forest bureaucracy is redundant and it cannot survive. They want to introduce a market in the forest and for that they have to support a system which is popularly based. Through this strategy they are trying to introduce PPPs to replant the 'degraded forests' which are actually the pastures which support the daily needs of local communities.[3] This is basically a demand from the paper industries that will benefit from the produce of the plantations. In Orissa and Chhattisgarh, the paper mills have embraced this programme for generating their raw material. This has been done in Indonesia and now it will be tried in India. The World Bank and the international organisations are very keen to capture the Indian forests as part of the politics of the Kyoto convention in order to promote capital and what is called 'primitive accumulation'. This activity is free of cost: they are capturing the air, the water and the forests. India is a prime target for this; it has a vast area, with 23 per cent of the entire landmass under forests.

In conclusion, I want to say something about how to resist it. We must resist it and not just complain. The resistance is clear and we have an open call to people to capture the land. The forest land cannot go to any company, whether public or private. In Latin America, they are doing it and in India we want to do it as well. The forests belong to the communities and we are openly saying that the forests dwellers will take over their land. In order to do that, the National Forum of Forest Workers and Forest Dwellers needs a broad alliance and key support from other sectors including trade unions, human rights organisations, farmers' organisations, peasant organisations and civil society organisations. We need to create a strong alliance to resist this imperialist and neo-liberal attack. The forest belongs to the people and it cannot be a domain of the state. For the last 200 years it has been so and we have to stop it now.

Forests in Uttarakand

MALIKA VIRDI

Sarpanch, Sarmoli Jainti Van Panchayat, Uttarakhand, India

The Himalayan state of Uttarakhand, once a part of the state of Uttar Pradesh, was formed in 2000, as result of a long sustained struggle by the local population. The primary demand was control over the natural resources of the region—'*jal*, *jangal* and *zameen*' (water, forests and land). However, policies and programmes continued by the new state at the behest of the World Bank, instead of increasing people's control and ownership over our forests, have increasingly eroded that relationship. In addition, these programmes are becoming instrumental in dismantling the only legally mandated democratic people's institution whereby communities own and govern their forests (the Van Panchayats).[4] These policies and programmes are undermining their authority and are pushing the Van Panchayats into a market mode, despite their claims of empowering local forest users.

Uttarakhand today has over 15,000 legally demarcated village forests managed by democratically elected Van Panchayats, virtually one for each revenue village. Though Van Panchayats have been in existence for over seven decades, around 10,000 were constituted after the formation of the new state, some of which still exist only on paper or are too small to be viable forest lots. Through these panchayats, village communities are mandated to govern and use these forests as a common property resource for their subsistence needs. The very genesis of the Van Panchayats[5] was the result of a long struggle against the colonial exploitation of the Himalayan forests over a century ago. The British colonial rulers had to finally concede that for mountain communities, these forests were critical to survival and for meeting their basic livelihood via fuel, fodder and water. Forests were therefore reverted back to the community as Van Panchayats.

The Van Panchayat I represent was formed in 1949. The journey from 1949 to 2007 is an interesting one. The juncture at which we are presently located is rife with growing contradictions and conflicts. Over the past six decades we have managed our forest with a fair degree of success, despite the contractor *raj* (rule) and increasing state control due to the changing rules governing the management of these forests. The Van Panchayat remains a viable forest which provides for our basic survival needs. The valley of the Gori river basin, where I come from, is located at the Nepal, Tibet and India trijunction in the Greater Himalaya. In this valley, the population is highly dependent on the forests and 64 per cent of this land is under the Van Panchayats or is managed and used as a common property regime. Like elsewhere in Uttarakhand, this region too has an agro-pastoral economy that is still predominantly subsistence based and forest dependent.[6] Yet, the government has systematically gone about dismantling the manner in which the communities have managed this common property resource. This is being done through implementation of policies and programmes in the name of forest management through the introduction of the Village Forest Joint Management Programme (VFJM), and then continuing in the same vein even after VFJM was closed in Uttarakhand.

The VFJM was introduced as part of a bigger forestry project being financed with a World Bank US$ 65 million loan over the period 1998–2002.[7] The World Bank project simply assumed the desirability of importing the standard JFM[8] model from other states into Uttarakhand, with all its shortcomings, instead of supporting a strengthened Van Panchayat framework. Through VFJM, the Forest Department was empowered to reassert control over Van Panchayat forests and civil/soyam lands,[9] the only surviving village commons. Even more significantly, by bringing Van Panchayats within the fold of Forest Department-controlled JFM, the World Bank programme also subtly transformed their status from rights-holders to 'beneficiaries'.

Our Van Panchayat, like many others, had since its establishment survived multiple obstacles and challenges to its authority, albeit in a weakened state. Faced with a new threat from the introduction of the VFJM, in 2000–1 in Uttarakhand, many Van Panchayats, including the one I represent, opted not to participate in the programme.

In the name of promoting 'people's participation', VFJM was creating space for the Forest Department to intrude on the only existing example of reasonably autonomous legal space for community forest management in India. The practical effect of VFJM was to transfer even more authority to the state at the expense of forest-dependent villagers. For example, the Uttar Pradesh 'Village Forests Joint Management Rules' (VFJMR), 1997, enabled the department to become the dominant partner in the management of Van Panchayat and civil forest lands.

The VFJM programme failed to enlist all Van Panchayats to adopt it voluntarily, as it became clear that as per its rules, there would be a significant loss of decision-making space for local villagers, a highly negative impact on collective choice arrangements, an undermining of the authority of Van Panchayats as well as informal community management. The framework was imposed by incorporating JFM rules into the Van Panchayat system. This significant change was widely resisted by Van Panchayat Federations and civil society groups in the state. The new 'Panchayati Forest Rules' of 2005 are in effect the very rules of the rejected VFJM. As a result, Van Panchayats no longer have the choice anymore of opting out of the market-oriented programmes, as the very rules that govern its functioning are in the mould of World Bank policy directives and interventions.

The rules that now govern our Van Panchayat force us to work in a 'project' mode. No longer subtle in its approach, the new rules reduce rightholders not only to 'beneficiaries', but also to wage labourers or to mere project managers, at best. Instead of devolving greater authority and decision-making control to autonomous self-governing institutions, now the forest guards are being placed inside them for extending the Forest Department's control over their functioning. This shifts the accountability of these institutions from villagers to the Forest Department, threatening their sustainability and further diluting communal property rights. We now have to make a five-year micro-plan, which has to receive the stamp of approval by the District Forest Officer. If you do not conform to the larger market friendly management plan drawn out by the Forest Department, the democratically elected forest council can be dismissed by the bureaucracy. The Van Panchayat can be dismantled and all resources can be taken away by the Forest Department and they can run the programme as they deem fit.

The process of reducing the villagers' role from being responsible for forest management to providing information for preparation of the micro-plan and working as paid labour for forestry operations was set in place through the World Bank-funded VFJM and now has been adopted in toto to govern Van Panchayats in Uttarakhand. The decision-making autonomy of Van Panchayats is now subject to the supervision, direction, control and concurrence of the Divisional Forest Officer.

The state, through policy and bureaucratic interventions by the World Bank, is forcing the communities to open up these last community-managed forests to market forces. In other areas of the economy, the bureaucratic structures are being dismantled with the shift to a market economy but within the forests, bureaucratic controls are being re-enforced and strengthened inside forest-dependent villages in the name of decentralisation and devolution. At the same time, by using the rhetoric of enhancing livelihood options for the poor forest-dependent communities, especially women, the Forest Department is compelling all the old and newly formed Van Panchayats to open up their forests to the markets. The rules of 2005 state, in the name of self-help groups, women's groups and user's groups, that the people can enter into partnerships with other private parties and use their forest in order to extract natural resources for distant and global markets. In other words, this common property resource is being encouraged to be apportioned and converted into private property in the hands of a few who will deal with the market. From legally designated rightholder, women will in effect become cheap labour for extraction from these forests. Women forest users' priorities still remain to increase the direct use values of their forests. An improved quality of life through easy access to fuel wood, fodder and water, and ecological security still precede considerations of income from sale of forest products. This shift in management priorities for increasing monetary income would impact their access to requirements for daily subsistence and their work burdens. Set in the wider historical and cultural contexts, it indicates how such policies, in collusion with markets and in combination with the need for uniformity when implementing large projects, erode and eventually destroy the great diversity of existing local institutional arrangements. The poor, and women, increasingly targeted as primary project beneficiaries, are often left further disempowered. In such a situation, we will virtually be forced into agreements of various kinds with big and small private market players. As a result, the only legally mandated, community-owned and managed forests which are a common property resource will eventually end up in private hands and at the mercy of market forces. This, I submit, is by design, as we see this pattern in all other areas where natural resources are privatised.

Yet, despite the imposition of crippling bureaucratic controls on their functioning, a large number of Uttarakhand's Van Panchayats continue to struggle and survive as self-governing community forest institutions. Where livelihood and ecological dependence on forests remains high, they have managed to retain reasonable control over decision making and fulfilment of subsistence needs. In the face of a growing shift to a global, market-driven form of 'development' where our forests, rivers and lands are up for grabs for commercial exploitation and expropriation, it leaves us with no other option but to continue our struggle to assert our right over our forests that sustain and nourish us, just as the mountain-dwelling communities in this part of the Himalayas were forced to wrest control back from the British colonial rulers a century ago. Only this time around it is happening at the behest of the World Bank and its latest attempt in a long series of policy interventions that are responsible in alienating us from our forests.

The Struggle against Community Forest Management in Jharkhand,

VASAVI KIRO

Tribal rights activist and journalist from Jharkhand

This testimony will discuss some points of influence of the World Bank on almost 10 crore adivasis all over the country, especially in Jharkhand which has been a land of resistance and revolts. A culture of protest has been there and due to this culture of revolts and protests, the World Bank has not been able to enter the forest sector in Jharkhand.

Two or three years ago, the World Bank was attempting to initiate in Jharkhand a Rs 11,000-crore project and they organised a seven-day workshop to try and motivate the tribal people to accept it.[10] One is aware of the JFM. In this case, they were talking about CFM, which is basically the same thing under a different name.

We spoke to Naveen Rai, the World Bank consultant, and told him that in our culture we do not have community forest management but community forest governance, and if they agree to it, then we were ready to join the programme.

The World Bank team did their study in many places and interviewed many people, including Dr Ram Dayal Munda, ex-vice chancellor of Ranchi University and a member of the Indigenous People's Permanent Forum of the United Nations. From their terms of reference, it sounded as if they were concerned about our issues, but they are very clever in playing with words. So finally we understood that it was not a new thing at all, that they wanted to simply replace JFM with CFM. And when we spoke of community forest governance, the Bank's team at once withdrew from it.

The entire amount of Rs 9 crore that was meant for the pilot project had already been used but we stopped the larger project. We stood during their seven-day workshop and listened to them, trying to understand their point of view and also trying to see how much they wanted to understand us. Repeatedly, they insisted that this was a collaborative programme and they wanted to listen to our perspective and would like us to listen to theirs.

During the seven-day workshop, I expressed my views about the Fifth Schedule and its provisions,[11] which is continuously being violated by the government of Jharkhand and by the central government. The World Bank too has ignored the Fifth Schedule system by neglecting to hold meetings with the Tribal Advisory Council as mandated under the Schedule. Under the Schedule, it is clearly stated that before starting any programme in any adivasi area, one must consult the Tribal Advisory Council and leaders. But the Bank never did this.

On the last day of the programme, they started to give certificates and I protested this, saying, 'What is the certificate for? Did you give us any training or you are taking away our knowledge? We cannot take this certificate.' We did not take the certificates from them.

After completing the workshop, the government of Jharkhand formed a taskforce to implement CFM. They chose some people from various adivasi villages to participate. Some other activist adivasis and I were selected by them. However, then we heard that the Chief Secretary of the state, P. P. Sharma, had withdrawn from this task force and that the government had decided to disband it. Further, we heard that the Forest Ministry and the World Bank had selected fifty villages for a pilot project without discussing it with us. We demanded from the Forest Department to know how and why these villages were selected for the pilot project. They said the World Bank officials had decided. The World Bank said the Forest Ministry had discussed this with the adivasis and finalised the selection of villages. I told them that no such consent was sought. We lodged a strong protest and finally the World Bank had to withdraw their project from Jharkhand.

Forestry Project in Nagarhole,

S. R. HIREMATH

Human right activist and writer from Karnataka

The Eco-development project covered seven national parks or tiger reserves.[12] One of them was the Nagarhole National Park located in the south-west part of Karnataka, covering Mysore. The park is part of the 45,000 km Nilgiri Biosphere Reserve.

This particular project was a US$ 67 million project jointly funded by the Global Environment Facility (US$ 20 million), the International Development Association[13] (US$ 28 million), and the central and state governments (US$ 19 million).[14] There were series of lacunas in the planning of the project, in its implementation and the way it dealt with the whole issue.

First of all, the project report was to be done in consultation with local groups and local NGOs. On record, local groups were consulted but they were not the ones closely associated with the area and its people. The project was basically aimed at weaning away the tribals and the surrounding villagers of their dependence on the forests. In reality this meant forcible eviction of tribal people from the forest. NGOs that represented fifty tribal groups were actively involved in resisting the project but evictions continued as if there were no protests. Finally, there was no recourse but to file a complaint to the Inspection Panel of the World Bank.[15]

This project violated the United Nations Resolution of Forced Evictions of 26 August 1999. Also violated was the International Labour Organization (ILO) Convention 107 on Indigenous and Tribal People, particularly Articles 3 and 12. Finally, the Bank's own Operational Directives, OD 4.30 which is on voluntary resettlement and 4.2 on indigenous population, were violated by the evictions which resulted from this project.

The request for inspection was given to the Panel on the basis of human rights' violations, violation of World Bank directives, as well as other considerations. The Request for Inspection document stated that:

> The World Bank Operational Directives 4.20 clearly spells out that any development project implemented has to be socially and culturally compatible to Indigenous/tribal groups who have distinct social and cultural identity from that of the dominant society. This policy directive is conveniently discarded in the case of the proposed Eco-Development Project. It is a world-widely accepted truth that the cultural traditions, social order and the values of indigenous/tribal societies have flourished through their maintaining a life-style in symbiotic relationship with the nature and forests. They have been the real protectors or conservators of the forests ... And uprooting them from their forest habitats—their socio-cultural life base—for any sort of so called 'development project' is not only the total denial of their fundamental human rights, but also pushing them to gross ethnocide.[16]

On receiving the complaint, the Inspection Panel met with local people and the National Committee for Protection of Natural Resources (NCPNR). The complaint was the first of its kind in south India. The Inspection Panel unequivocally stated that these operational directives and convention were violated and the project had to be redesigned and investigated.

However, the World Bank Board of Directors did not accept the findings of the Inspection Panel. Later, three other recommendations of the Inspection Panel were accepted by the Board, but as far as we are concerned, it is business as usual. Tribal access to non-timber forest produce has been very severely affected because people were forcibly evicted to the periphery of the National Park where they have become daily wage workers on the coffee estates. Their whole culture and biosphere have been affected. This was only one of the devastating experiences of the tribal community under the World Bank's Eco-Development Project.

Notes

1. 1997–2003 via the Uttar Pradesh and Uttaranchal Forestry Project. See the Implementation and Completion Report, World Bank, http://go.worldbank.org/MHL8B1VL00, accessed 5 September 2009.
2. Passed in 1908 by the colonial government. It gives authority to the tribal panchayats over land and forest. It prevents non-tribals from purchasing tribal land in the Chhotanagpur plateau.
3. World Bank, 'Carbon Financing For Improved Rural Livelihoods Project', Project Information Document, World Bank, http://go.worldbank.org/SV24AE9AD0, accessed 5 September 2009.
4. The institution of Van Panchayats was created in response to protests against forest reservation through notification of the Kumaon Panchayat Forest Rules in 1931. Although it has undergone several changes since, it remains a unique example of community-based forest management in India, possible under Section 28 of the Indian Forest Act, 1927. These forests are demarcated as village forests under the Act and are entered in the land records in the panchayat's name.
5. At the turn of the previous century, reservation of forests under colonial rule was met with stiff resistance by the peasantry who set the commercially valuable pine forests on fire in protest. To contain the unrest, the colonial government was compelled to withdraw the forest department from over 50 per cent of the new reserves, restore people's rights in these areas (while simultaneously converting them into open access) and create legal space for community-based forest management through the institution of Van Panchayats.
6. Whereas only 12.5 per cent of Uttarakhand's geographical area is private cultivable land, 67 per cent of it is legally classified as 'forests'. Of the area classified as 'forest', 68.9 per cent is under the Reserved Forest category managed by the Forest Department, as opposed to Van Panchayats that are managed by the mountain-dwelling communities.
7. The World Bank's Project Information Document reads: 'The main objective of the project would be to assist with the implementation of the government strategy for development of the forestry sector in the state. More specifically the objectives are: to introduce the necessary changes in process and to develop human resources for the planning, implementation and monitoring of the strategy; to ensure that management processes and the structure and resources of both forest departments are appropriate to their role as nodal public sector agencies in the forestry sector; to assist with the prioritisation of various types of land through improved planning at a macro-scale; to increase both forest cover and productivity through development of participatory processes for management and use of forest resources, taking special account of the interests of disadvantaged groups; to adapt and improve existing technologies and to provide technical and management advice; *to assist with the privatization of the production of forest products through improving incentives*

for forest management and the cultivation of trees; and to promote the conservation of biodiversity' (emphasis added). See http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1997/09/05/000009265_3971229184232/Rendered/PDF/multi0page.pdf, accessed 2 December 2008.

8. Unlike in other states in the country where space was being created for villagers to participate in management through JFM on Reserve Forests under departmental jurisdiction, in Uttarakhand it was done on the autonomous and democratically run Van Panchayat forests.
9. One of three legal classifications of forests in Uttarachand. Civil/soyam forest areas are managed by village residents (as opposed to revenue and Van Panchayat forests).
10. The Jharkhand Participatory Forest Management Project was dropped by the World Bank. The abstract from the project's working paper reads: 'The Jharkhand Participatory Forest Management project was conceived as a "next generation" engagement in the forestry sector in India. Jharkhand State government officials and their counterparts in the Bank recognised that forest fringe dwellers could and should play a more active role in management decision-making and forest product marketing. To achieve this objective, project preparation has focused on developing a direct dialogue with local tribal leaders to pursue a mutual understanding of obstacles to and opportunities for moving forward. Technical assistance, including the Social Assessment training workshop outlined in this report, has served to establish a common set of goals and to define priorities for evaluating social, legal, marketing, and management planning aspects of the forest sector in Jharkhand.' See http://go.worldbank.org/TL65HWAMI0, accessed 2 December 2008.
11. The Fifth Schedule of the Constitution of India deals with the administration of Scheduled Areas and Scheduled Tribes in Andhra Pradesh, Jharkhand, Gujarat, Himachal Pradesh, Maharashtra, Madhya Pradesh, Chhattisgarh, Orissa and Rajasthan. Its various provisions are intended to provide protection to the tribal people living in these areas.
12. World Bank, 'Ecodevelopment Project', 1996–2004. See http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P036062, accessed 2 December 2008.
13. Branch of the World Bank which makes soft loans to member governments. See http://go.worldbank.org/QAFU9RGOY1, accessed 2 December 2008.
14. Global Environment Fund, 'Eco-Development Fact Sheet', http://www.gefweb.org/Outreach/outreach-PUblications/Project_factsheet/India-ecod-4-bd-wb-eng-ld.pdf, accessed 5 September 2009.
15. The World Bank's documentation on this particular inspection panel investigation can be found on the World Bank website, http://web.worldbank.org/WBSITE/EXTERNAL/EXTINSPECTIONPANEL/0,,contentMDK:20229384~pagePK:64129751~piPK:64128378~theSitePK:380794,00.html, accessed 2 December 2008.
16. Request for Inspection, 10 March 1998, by Nagarahole Budakattu Janara Hakkusthapana Samithy, http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/IndiaEcodevelopmentRequestforInspect.pdf, accessed 2 December 2008.

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History Repeating Itself

The World Bank's Role in Global Tourism Development

RANJAN SOLOMON AND VIDYA RANGAN

The tourism industry is currently developed through very large projects often funded by international companies. This has tremendously negative aspects on local communities in India. Profits from the industry do not generally reach local people, and worse, local people have been displaced to make way large tourism projects. The overview describes the World Bank's role in tourism, and the subsequent case studies describe the exploitative nature of these projects, and their role in displacement of communities from their traditional lands.

Introduction

Tourism has been one of the least spoken of but possibly one of the most controversial sectors of World Bank operations internationally. In the 1980s, tourism, along with nuclear energy, was one of the few activities that the Bank's Board of Directors elected to halt. Today, at a time when the Bank is restarting tourism operations with renewed fervour, this chapter examines the implications against the backdrop of the Bank's historical engagement with tourism. As shown by the presentations and depositions presented here, the World Bank and its associated agencies (the International Finance Corporation, IFC; Multilateral Investment Guarantee Agency, MIGA; and the Global Environment Facility, GEF) have a history of supporting large-scale, mass models of tourism development in the developing world. This has led to visible negative impacts in these now established 'tourism enclaves'. Furthermore, since the 1990s, as part of its conservation and sustainable development approach, the Bank Group has funded conservation programmes in India that have displaced tribals and other local communities while simultaneously opening up these conservation areas for tourism promotion. Tourism is also a key motivating factor and impetus for several large-scale destructive infrastructure projects (like highway development, roads and urban development) undertaken funded by the Bank in regions like the north-east of India. It must also be noted that the World Bank's sister agency—the Asian Development Bank (ADB) has already initiated specific tourism interventions through its South Asian Subregional Economic Cooperation (SASEC) project. Much of this project involves developing infrastructure for ecotourism and the Buddhist circuit in states of the north-east with connections to Nepal, Bhutan and Bangladesh. Many communities in the north-east are not aware of the implications of unregulated tourism.

The World Bank's inroads into tourism began in the late 1960s when the IFC began investing in hotel properties in Kenya. The IFC is the World Bank's investment and advisory services arm for the private sector in developing countries. In 1969, the World Bank created its Tourism Projects Department (TPD) to play a key role in defining the Bank's engagement in the tourism sector. Equipped with specialist tourism staff and based on a growing international expectation that tourism was a critical foreign exchange earner, the Bank began focused lending operations in Africa, the Mediterranean and Latin America. Funds were pumped into large-scale, infrastructure-heavy tourism projects that would attract hotel investors and elite travellers from the developed world. The TPD was to facilitate the Bank's interventions in some of the world's biggest tourism projects (in terms of scale and investment) over the next ten years, including the creation of some of the world's most popular tourism destinations, for example Kenya, Bali, Mexico, the Dominican Republic and Egypt.

When investment was not self-induced, the Bank intervened to provide lines of credit through local development banks. The Bank's total cumulative loans to tourism grew from US$ 50 million to seven countries in 1970 to US$ 1 billion to twenty-seven countries in 1980. Equally important was the role of the IFC and MIGA. The IFC became the main external source of private debt and equity capital for hotels and services.

However, in 1978 the World Bank closed the TPD. The primary factor in the decision was growing discontent over the Bank's use of scarce development aid to fund elite and luxurious tourism projects for the cream of European and American society. Image reasons were critical to the closure of the TPD, which was supposed to be a lending institution created to assist developing countries to reach their poorest 40 per cent. In actual fact, the poorest of the poor were found to be financing the construction of luxury accommodation for rich travellers from the developed world.

Another important reason analysts attribute to the closure of the TPD was evidence of deleterious social, cultural and health consequences arising from widespread and unregulated tourism in the 1970s. The World Bank had supported many tourism projects which resulted in meagre economic gains to local communities and high socio-cultural and environmental impacts.

The Bank's own appraisal and project completion documents supported this fact and, as a result, the Bank closed the TPD after a decade of funding tourism. However, contrary to its public statements, the World Bank continued to be indirectly engaged with tourism, specifically infrastructure for tourism. Further, IFC and MIGA continued focused support of the hospitality sector, funding projects such as hotels.

In the 1990s, with the introduction of the sustainable development paradigm, tourism re-entered the World Bank's literature and interventions through its biodiversity conservation and sustainable tourism projects. The Bank claimed tourism as an instrument for community participation in biodiversity conservation, urban growth, infrastructure, planning, rural development, environmental restoration, coastal protection and cultural heritage preservation. In 1991, the World Bank helped establish the GEF with the objective of supporting developing countries in biodiversity conservation. The gap between intent and implementation in the overall policy and practice is, of course, revealing. The World Bank's India Ecodevelopment Project, initiated in 1995, was aimed at supporting park management and reducing local people's influence on biodiversity in seven of the country's national parks: Buxa, Pench, Ranthambore, Periyar, Nagarahole, Palamau and Gir. The project actually resulted in large-scale displacement of tribal communities living within these areas and a complete denial of their traditional and customary rights. At the same time, Nagarahole, Periyar, Pench and Ranthambore were opened up for ecotourism and wildlife tourism.

Today, the World Bank's lending to tourism is on the rise worldwide through an interface with issues of biodiversity, cultural preservation and transportation. Bank funding of tourism-related projects stands at over US$ 3.5 billion. In addition, the IFC and MIGA continue to fund large-scale, foreign-owned tourism projects in developing countries.

The IFC has to date invested US$ 2 billion in tourism. This includes syndications in tourism projects worldwide, focusing mainly on accommodation, amusement parks, cruise ships, ecotourism, management services and offices. With a current tourism portfolio of US$ 420 million, the IFC has seventy active projects, as well as technical assistance and microfinance instruments, to support the creation of better linkages between large anchor investment and small-scale supply businesses. Its experience in tourism includes resorts, city and business hotels, and mixed-use corporate investments. The IFC's clients include leading national and international investors and owner-operators in tourism, like Orient Express Hotels, the Australian Leisure and Hospitality Group, Hyatt, Marriot, Taj and many government-run hotel and tourism corporations.

The Bank's re-entry into tourism is a worrying development. It has not learnt much from past experiences and, as a result, its present and future interventions in tourism are unlikely to be any more mindful of possible adverse socio-economic, cultural and environmental impacts. For example:

1. 'Pro-poor tourism' finds mention in a number of the Bank's Poverty Reduction Strategy Papers but there is scant evidence of tangible links between envisioned tourism strategies and poverty reduction.

2. Bank-funded conservation efforts have protected biodiversity at the cost of the rights of local and indigenous communities around the world. Conservation strategies involving creation of Protected Areas like national parks, wildlife sanctuaries and tiger reserves are systematically ejecting communities who have traditionally lived within these forests while opening them to ecotourism ventures.

History provides evidence that the nature and scale of Bank-funded projects were as exploitative as they were non-remunerative to host communities. All available indicators suggest things will be no better this time around.

Today tourism is a key motivating factor and impetus for several large-scale destructive infrastructure projects undertaken funded by the Bank in regions like the north-east of India. Urban development and road projects funded by the World Bank in the north-east of India have a distinct tourism component and rationale in them.

However, it is possible to propose an alternative model of tourism, one that can be a tool for economic empowerment, environmental conservation and the socio-cultural rejuvenation of local communities. But its potential to do this depends on which models of tourism international financial institutions and consequently our national government push. Tourism in India needs localised financial and technical support to equip local communities to engage meaningfully in the tourism. Such finance can well come from the country's nationalised and privatised banks and does not need large-scale funding by international financial institutions.

The key testimonies of activists, researchers and campaigners on the question of the Bank's involvement in the tourism sector are reproduced in the following.

Testimonies by tribal community representatives from Chhattisgarh and Karnataka will show the impact of the World Bank's India Ecodevelopment Project and the resultant struggles of local communities. A presentation by a community representative from Goa, India's most popular tourism destination, will testify to the impacts of large-scale tourism and how financial institutions and the industry have a bias towards large-scale projects while ignoring the needs of local entrepreneurs.

In the following discussions, groups will appeal for the complete cessation of the Bank's involvement in tourism, as it has put in place destructive and exploitative models that have benefited industry and investors in tourism but not local communities at these destinations.

Conservation-led and Tourism-induced Displacement in India,

ANITA DHRUV

Tribal leader and activist, Sitanadi Sanctuary Area, Chhattisgarh

I, Anita Dhruv, an adivasi from the Sitanadi Sanctuary area of the state of Chhattisgarh, do hereby petition the Honorable Jury of the Independent People's Tribunal on the World Bank Group in India to pass a verdict directing a halt to the destructive ecotourism promotion strategies adopted by the World Bank and its associated agencies like the GEF in India on the basis of the facts and experiences presented in the following.

In line with its efforts to promote 'biodiversity conservation' around the world, the World Bank has funded eco-development and forest management projects in India since the mid 1990s. A key feature of the strategy has been the creation of protected areas, such as national parks, wildlife sanctuaries and tiger reserves in biodiversity-rich areas of the country. However, these forests have also been the homelands of a diversity of indigenous communities for whom the forests are the basis of their identity, livelihood, cultural survival and history. The idea of 'wilderness' and 'conservation' as an expanse of greenery devoid of all human habitation has therefore led to the de-recognition of traditional rights and way of life, and the exclusion and eviction of tribal communities from forests in India. At the same time, these very forests have been opened up to ecotourism, thus welcoming tourists while displacing the adivasis.

The main projects funded by the World Bank in biodiversity conservation with ecotourism components are the India Ecodevelopment project (1996–2002) and forestry projects in the states of Madhya Pradesh, Kerala, West Bengal and Maharashtra (1994–2000). The stated intent of the World Bank through these projects was to address the impact of local people on protected areas and vice-versa, and consequently improve mechanisms for Protected Area Management. For instance, the India Ecodevelopment Project worked with the objective of conserving biodiversity in the protected areas of Ranthambore, Buxa, Gir, Nagarhole, Palamau, Pench and Periyar. As part of this strategy, the Bank promoted ecotourism as a source for financing conservation in protected areas and providing alternative livelihood opportunities for forest-dependent communities. But on the ground, the situation has been very different.

In reality, Bank-funded conservation efforts have protected biodiversity at the cost of the rights of local and indigenous communities. Conservation strategies like the creation of protected areas are systematically ejecting communities who have traditionally lived within these forests, but are simultaneously opening them up to tourism. Key elements of community participation and consent, benefit-sharing and acknowledgement of community rights over forest resources have been absent, ensuring the failure of the Bank's ecotourism strategy. Further, eco-development committees (EDCs) set up under these projects have failed to be sensitive to inter-community dynamics and relationships and have, in fact, deepened social conflicts in these regions.

The experiences of communities from the sites of the Bank's Ecodevelopment Project are evidence of this. In Karnataka, 32,000 adivasis residing in and around the forests of Nagarhole were first displaced in 1997 when the region was declared a national park under the Ecodevelopment Project. In addition to their physical displacement, the government placed severe restrictions on their activities within the forests, including bans on cultivation, hunting and on collection of forest produce, thereby denying them their means of livelihood and survival. Notwithstanding this injustice, the government of Karnataka awarded a contract in 1994 to Gateway Hotels and Getaway Resorts (a subsidiary of the Taj Hotels group) to run India's first eco-friendly resort within the Nagarhole National Park. Strong resistance to this move by local groups and adivasi rights organisations, supported by legal interventions that were upheld both at the High Court and Supreme Court level, finally resulted in stalling construction of the resort and a strong indictment of the role of the state government in this sorry affair. The Nagarhole judgement set precedence for the use of protected areas and national parks for ecotourism development, but the fate of the adivasis continues to hang in balance.

A similar fate met the tribals living inside Pench National Park, situated in the forest ranges of Madhya Pradesh, which was declared the country's nineteenth Project Tiger Reserve in 1992. With the launch of the World Bank's Ecodevelopment Project in 1995, several villages within and on the periphery of the sanctuary began to be systematically displaced. Fifteen Gond families who had traditionally lived on the banks of the river Pench were displaced from their village of Alikatta and forced to resettle in Durgapuri. They were told they had to move because a national park was being created. Villagers who had fertile, cultivable land in Alikatta, today do not cultivate or go into the forest anymore for fear of being arrested. The Gond culture and identity took a back seat in the face of establishing the park, and relations between villagers and the Forest Department have deteriorated. It is not even clear if wildlife is being adequately 'protected'.

I come from Sitanadi, Chhattisgarh, which was declared a national park in the early 1970s. This has resulted in our systematic ejection and displacement, the indigenous people of the region. The World Bank came in with its Ecodevelopment Project to conserve the area by throwing out the adivasis. The Bank and the state government believe that we are responsible for the destruction of the forest because we collect roots, herbs, firewood and other minor produce from it. However, in reality it is we, the adivasis, who have conserved these forests for centuries. At the same time, when adivasis were being evicted, the state government and the Bank were promoting ecotourism in the 'conserved' areas of the forest. But if the strategy of the Bank is to conserve the forests without any human inhabitation, how can ecotourism be part of this? It is clear therefore that for the Bank and government, tourists are welcome into these forests but we, the indigenous people, are not. Tourism has today become a source of terror for us. It is our ancestral lands and forests on the periphery of the sanctuary which are being leased out/sold to hotel and resort developers. Even if adivasis remain within the forests today, tourism has transformed them into sources of entertainment, with whom tourists can sing, dance, have picnics and make merry.

Today, as adivasi communities in the country fight a battle for their identity and survival, tourism and ecotourism are flourishing in areas which once used to be adivasi homelands. The World Bank continues to advocate conservation through strategies like joint forest management, participatory forest management and even community forest management. Despite past failures, in its report entitled *Unlocking Opportunities for Forest Dependent People in India*, published in 2005, the World Bank has yet again proposed ecotourism as a source of income and livelihood for forest communities.

We, the people of Sitanadi, have fought tooth and nail to save our forests from the clutches of the Bank, state government and private corporations. We have done this through all forms of campaign and protest for the past twelve years and have succeeded in throwing out the Bank from our areas. The Bank must accept that its policies and projects have led to the commodification of ecology, lack of community consultation and consent, increased social segregation and conflict, and the undermining of human rights and dignity. The strong resistance of communities is a clear warning to the Bank that its practices and interventions are not welcome. We will never allow the World Bank to step into our forests or our homelands—this is our resolve.

The Struggle of Local Communities in Nagarahole, Karnataka: The World Bank's Ecodevelopment Project and the Taj Group's Attempt at Setting up a Resort

P. K. RAMU

Tribal leader and activist, Nagarahole, Karnataka

My name is P.K. Ramu and I come from Karnataka. We, the tribal communities, stood up in protest against the state government when they said we have to leave our areas and lands. When we tried to protest, the forest officers in the state government said that either they would book cases against us, put us in jail or they would even have us killed. But we did not succumb to this pressure because we believe that the forest is ours. It is the place where we live and we have nowhere else to go. We placed this argument in front of the courts whereby, if it was the case that the law stated that the forest or the sanctuary needed to be preserved without human habitation, then how was the state government allowed to permit the construction of a tourism project which will allow tourists in the same area? With this argument, the local community decided to file a case against the Taj group—the group that has been given the right to construct a resort inside the Nagarahole area. During the hearing, the Taj group and the state government questioned whether tribals could prove that adivasis are the only inhabitants of the forest or that the indigenous communities came first. When the case went to the court they said that adivasis are the original inhabitants because the proof is their life for centuries in these forests. Their heart and soul is there. The court passed its judgement in favour of the tribal community.

But despite having won the case, tourism continues to flourish within the areas where the adivasis have now been resettled. Forests can survive as long as the indigenous communities within it survive well, and therefore we have resolved that we will not leave our homeland or give it up to tourism or any form of development. We posed the question before the state government and before authorities as to why they were bothering us and telling us to leave our places and homes. Why are they displacing us?

Jawaharlal Nehru once said that the adivasis of the India should not be bothered and they must be allowed to live as they are currently living. Full support needs to be given for their development. But what we have seen in history through these years is that adivasis have been dominated by the policies of the government. They think that adivasis are barbarians and harmful. But we are the ones protecting the forests and natural resources. So, we do not need any outside interference. We only need our self-protection and the protection of our forest.

Tourism and Opportunities for Small Entrepreneurs

GERALDINE FERNANDES

Guest House Owner, Benaulim, Goa

Respected members of the jury and co-workers in the struggle for justice, I think it is important for me to preface my deposition with some comments that will help us to see the linkage between tourism and the World Bank.

First, globalisation is a wealth creator. It produces an elite class: the world's holidaymakers/the tourist.

Second, the World Bank's policies of creating paradigms for tourism infrastructure, hotels and resorts of big sizes alongside government subsidies for the big players, have left small enterprises hugely disadvantaged and confined to the margins.

Third, the World Bank has entered a new, active phase: Community-Based Tourism (CBT). It is unclear where small entrepreneurs will fit into this strategy but it is almost certain that we will confront more hardships, perhaps even extinction.

I invite you to listen to the rest of what I say with this backdrop in mind.

I am a small entrepreneur from the south of Goa. I live in a village called Benaulim along the coast of Goa in the district of Salcete. My village has a population of a little over 5,000. At the height of the tourist season, the number of tourists might easily match the number of Goans in Benalulim.

I am originally from the north of Goa and arrived in Benaulim in 1993. Being a creative and independent person by nature and also having had the experience of running a pharmacy and restaurant as a young woman, I decided that it would be useful for me to be self-employed and set about working towards starting a guest house in Benaulim.

I looked around the area in Benaulim where my husband had inherited land gifted to him by his father. After a detailed market survey and assessment of prospects, I consulted friends and family, all of whom encouraged me to launch as a tourism entrepreneur.

I was further encouraged by the thought and assurance that commercial banks were under obligation to support small-scale entrepreneurs, especially women. It was only later that I realised and learnt that much of this was mere rhetoric.

Before I proceed to present my story and experiences, I must give you a background of the way in which tourism arrived in Goa. Hopefully, that will set the context for my arguments and claims for justice to be introduced into the system. In doing so, I am trying to make two essential points:

1. It is a myth that tourism benefits local communities. The fact is quite the opposite. We as Goans pay the costs of tourism and the real beneficiaries in the tourism equation are the tourists and sending countries, as well as the multinational corporations (MNCs) and big businesses that send tourists from rich countries.
2. That Goans are not only marginalised when it comes to initiating tourism-related enterprises, it is nearly impossible for us to make it in this business. To extend this argument a bit more, it may be useful to say that the first cause for this situation is that there is no level playing ground in which local entrepreneurs can compete with big business and foreign companies. The second reason is that the tourists themselves see competition among small-scale enterprises and capitalise on the situation by driving hard bargains, which sometimes render the businesses less viable. Today's backpackers are low spenders and big bargainers.

Higher spending tourists have higher demands, making the cost-benefit equation stay static. We never benefited. Something like 10 per cent of state income accrues from tourism. When you subtract the cost of infrastructure expenditure in tourism areas, and add social, environmental and cultural costs, our losses are massive. Just one quick calculation about how 'all-inclusive' deals in the tourism equation operate would show how much the host invests and spends on the tourist, even though it looks otherwise.

With the aforementioned, one must report on tourism impacts. Our coasts were violated: sand dunes cut to make it easy for the tourist to get an unobstructed view, coastal vegetation destroyed just to make the view better for the tourist, traditional communities (farmers and fisher folk) displaced to make way for tourism enterprises and the privatisation of common land. Beaches I played on when I was a child are now the private property of hotels and resorts. In our case, the Coastal Regulation Zone (CRZ) was a mere piece of paper. They threw it out of the window and now our coasts are on sale to the highest bidder.

When I decided to launch my small tourism business—a guesthouse with eight rooms and three flats (often referred to as penthouses)—modest but comfortable, clean, spacious and built around tourism ethics, I was deceived by what I saw around me. First, I saw how huge the concessions were to the five-star hotels, whether of Indian or foreign origin. They were not only given land on rates massively less than the normal market rates, they were also given easy access to credit and at comfortable terms. Not just that. Access roads, electricity, water supplies, waste management/ garbage disposal, etc., were all made easy for them. The government invested in their needs and demands. On the contrary, we, the small entrepreneurs, had to cope with virtually impossible obstacles if we started a business. The World Bank has never wanted within its policy frameworks space for 'risk clauses' that have social purposes (self-employment) and do not bring in high returns.

My story perhaps illustrates how the system works against the small entrepreneur and weighs heavily in favour of big business. All that I needed was a loan amounting to Rs 7 lakh. We had actually begun work on our guesthouse even before we went out seeking loans. We pledged and sold just about everything we could: gold, silver and property. When people saw us in urgent need, our terms for negotiation were not very helpful and we got some atrocious deals. The commercial banks we approached, including Bank of India, Bank of Baroda and Corporation Bank, turned us down, claiming they do not support tourism-related commercial ventures. Their pretext was that tourism was a vulnerable industry and its seasonal character did not make granting loans viable.

When I finally got the loan, it was from a cooperative bank (the Madgaum Urban Cooperative Bank). It was an unwilling Board of Directors who grilled me for hours before one of the Directors decided to guarantee me, seeing logic in my claims and plans. My business, as I mentioned at the start, was based on a market survey. I am now wondering if objective surveys really work. After all, the tourist is an erratic entity and functions on whims and fancies and exploits competition to the hilt. So, although I calculated that I would earn Rs 300 from my rooms and Rs 500 from the penthouse on a daily basis during the high season, the facts are different. Tourists are told in all tourists guidebooks that when you arrive in Goa you must: Bargain. Bargain. Bargain. And so they do. I often give my rooms at Rs 150 simply because if

I am rigid, my competitor will take my business. If you did not know what the word 'cut-throat' meant before this, I can tell you how it works in our business.

To cut a long story short, what happened was that the financial projections on the basis of which I claimed my loan and the reality I had to contend with were so different. I ended making profits far less than what I expected. In fact, at the start, I only managed to break even or even run at a loss. The repayment conditions were stringent and I paid to the best of my ability on as regular a schedule as I could manage and afford—tightening belts and cutting corners. My three-year loan period ended and I was still in debt, thanks to tourist behaviour and the lack of breathing space to settle the business down before I could start repayment. When you are in debt, you borrow and I was in multiple debts at times, sometimes even from long-standing customers who would loan me funds and then proceed to use my rooms free for long periods (even six months at a stretch). I did not have the benefit of a tax holiday—I had to start repaying my loan from the very month I received it, even though my loan was for constructing my guest house. It was hard to get an answer to my question: From what source will I repay while I am constructing? I learned what it means when they say 'Beggars can't be choosers'. We had to accept the stringent terms and conditions of the bank. Imagine this: I am a small entrepreneur. Because I offer my rooms at more than Rs 100, I must pay a luxury tax, a Panchayat tax, a room tax, a house tax, licences, tourism licenses, restaurant licenses, bar licenses, etc. Now, I ask, is small entrepreneurship welcome? I submit we are unwelcome in the tourism arena as enterprises. It is all for the big business—the concessions, rebates, cheap land, easy and quick terms of credit, access to the best places on the coast, even the luxury of violating CRZ violations with impunity. Along with this, we must also contend with unethical and unequal competition. Resorts and big hotels tell their customers not to venture out of their hotels at any cost. In turn, they are given the 'Virtual Goa' experience within the premises, and if taken on a tour, they are herded under protection, as if all Goans are potential thieves. They have a simple aim: to make sure the visitor does not discover alternative locations to stay in or eat. Given their superior facilities and their patronage, they are the winners.

How can I conclude? I have to highlight how seriously the effects of globalisation play out on us Goans. The IFC concentrates on investing in large-scale accommodation, amusement parks, cruise ships, casinos, ecotourism, management services and offices. Its experience in tourism includes resorts, city and business hotels, and it supports leading national and international investors and owner operators like the Orient Express hotels, Australian Leisure and Hospitality Group, Hyatt, Marriot, Taj and many government-run hotels and tourism corporations. Moreover, the IFC states that because it is committed to financing environmentally and socially sustainable projects such as ecotourism and cultural tourism and these are becoming increasingly popular, it has a particular interest in promoting such investments.

So, you can see how heavily biased the World Bank is in favour of big business. The small fry of tourism sector have few, if any, chances of surviving. The social outlook, when expressed, means nothing.

Globalisation has produced more wealth for fewer people in the world. The rich have more money than they can spend on themselves. They now holiday in exotic destinations and Goa is one of them. The MNCs, which are the engines of globalisation, supported by the machinations of the World Bank and other global financial institutions, make sure that the wealth generated by the MNCs stays within their fold. Hence, they make sure that the leisure industry rakes in profits from tourism and, thus, guarantee that economic privileges grow but are confined to the same classes that gain from globalisation. That is why, despite all the big talk about making things work for the 'little folk', the tourism industry works for the rich and powerful, for big business, and excludes and marginalises the small entrepreneur. In fact, we as small enterprises can only function when we agree to be subservient or subsidiary to the big hotels and resorts and related ventures. If the World Bank thinks tourism must be promoted, that the sector must be liberalised, then it must also have the essential common sense to democratise tourism and make it beneficial to communities. CBT is first and last about getting communities to be hosts of the visitor, not the abstract hotel that turns up in the form of a five-star hotel. They are not hosts. They are profit-making set-ups that violate our coasts by rank indifference to our cultures, coasts and workers. They do not represent us: the Goans. They represent profit and capital; in short, greed. We are its victims simply because the entire global financial system, so well represented by the World Bank and its collaborating institutions and governments, has no place for us, the small entrepreneur.

I do not know if the World Bank can ever change. If it cannot be changed, at least let it go. We want to get on with our lives.

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Investment In, People Out

The Renewal of Indian Cities

MICHELE KELLEY

Contemporary urban development in India is tackled through very large projects intended to serve the upper classes, developers, and large industry. It very specifically results in disenfranchising the poor. This chapter begins with a summary of the World Bank funded national urban development project in India. Simpreet Singh, Afsar, Pradeep Singh, Anshu Malviya and Gabriele Dietrich follow the overview, discussing the program and its impacts in their respective states.

The Jawaharlal Nehru Urban Renewal Mission (JNNURM) is a Government of India programme that seeks to transform the urban planning agenda into one focused on attracting capital investment and subsidising the private sector. Launched in 2005 with a budget of Rs 125,000 crore[1] over seven years, it ties state funding for large cities to basic conditions that will satisfy this agenda. JNNURM is widely criticised for these conditionalities which promote a form of development that benefits the upper and middle classes, real estate developers, the construction and consulting sectors, and the investor community, foreign and domestic. It is also criticised for the continuation of large-scale displacement of urban slum dwellers, reduction of social safety net spending despite its poverty alleviation objectives, and its replacement of democratic public governance by private sector decision-making.

JNNURM is not the first Indian programme to attempt to restructure urban development. It follows on the earlier central government programmes like City Challenge Fund, the Urban Reform Incentive Fund and the Pooled Finance Development Fund, as well as state-level initiatives in Andhra Pradesh, Tamil Nadu and Karnataka. JNNURM, however, is the most ambitious programme to date in terms of scope and financing, with an additional Rs 30,000 crore recently requested to supplement the original amount of central government funding.[2] The programme is operational across sixty-three cities in India, seven with populations of over 4 million (mega cities),[3] twenty-eight with populations between 1 and 4 million, and twenty-eight state capitals and cities with particular religious, historic or touristic significance.[4]

JNNURM consists of two components which inherently contradict one another. Called 'sub-missions', the first focuses on infrastructure and the second on basic services for the poor. The infrastructure component funds projects involving development of inner city areas, water supply and sanitation, sewage and waste, storm drains, urban transportation (including roads and trains), parking lots, development of heritage areas, prevention of soil erosion, and preservation of water bodies. The basic services component, conceptualised to achieve the Millennium Development Goals, theoretically funds infrastructure projects, in addition to low-cost housing, street lighting and 'civic amenities'. However, projects pertaining to power, telecom, health, education, wage employment programmes and the creation of new jobs are ineligible for financing, and in reality, projects benefiting the elite are prioritised over projects which benefit the poor.[5]

This prioritisation of high-end infrastructure to support elite lifestyles has already been illustrated in the budgets of City Development Plans (CDPs) from Ahmedabad to Bangalore.

The basic strategy for the programme is to attract investment to the urban areas through private consultant-designed and monitored CDPs and by applying private sector models to service delivery through 'public-private partnerships' (PPPs). PPPs open up public sector works to private partners for profit. Proponents legitimise this approach through the idea that markets are the most efficient way of managing public expenditure and by arguing that the public sector is corrupt, inefficient and lacks expertise.

JNNURM, in order to centralise and coordinate neo-liberal development strategies, ties state funding to specific conditions. The list of conditions that states must implement in order to receive funds from the central government is divided into two misleading categories, those which are mandatory and those which are optional. However, all twenty-three reforms are required; the optional reforms differ only in that they can be implemented over a longer period of time. Key conditionalities of JNNURM include: (1) the repeal of the Urban Land Ceiling Reform Act (ULCRA, 1976), (2) the reduction in Stamp Duty and (3) the creation of CDPs by government-approved contractors. ULCRA was created to ensure housing rights for the poor and to discourage the formation of land monopolies and private sector profiteering in real estate. Its repeal is designed to do exactly the opposite. Stamp Duty is a form of property tax, and its reduction a measure designed to benefit real estate development and speculation and which will drastically and detrimentally reduce the income of the states and municipalities.[6] Other reforms imposed by the conditions of JNNURM include reform of the Rent Control Act, revisions of laws to streamline building construction, changes in laws regarding the conversion of land from agricultural to non-agricultural purposes, and the encouragement of PPPs.[7]

The World Bank has played a large policy-based role in the direction of JNNURM, by delivering advice through various strategy papers,[8] through direct funding of previous projects which have directly influenced the direction of JNNURM (including the Tamil Nadu Urban Development Projects I, II and III, and three infrastructure projects in Karnataka since 2001) and by negotiating four new projects which are currently in the pipeline. The National Urban Reform Fund, the National Urban Infrastructure Fund, the Sustainable Urban Transport Project and the Capacity Building for Urban Local Bodies projects with Project Information Documents written in 2004, 2005 and 2006, have a combined committed financial support to India's urban development of US$ 1.5 billion dollars.[9] Other international financial institutions are also involved in the project. The Asian Development Bank, with a paltry US$ 2 million loan for technical assistance in 2006, is helping to plan, design and monitor JNNURM's sub-mission I (in collaboration with consultants from Price Waterhouse Coopers).[10]

The World Bank and four credit rating agencies—Credit Rating and Information Services of India Ltd (CRISIL), International Credit Rating Agency (ICRA), Fitch Ratings and Credit Analysis and Research Limited (CARE)—are monitoring the results of the JNNURM in order to attract private sector investment to Indian cities. These organisations are assessing the planning processes of city governments through Draft Ratings Reports which assess the institutional credit worthiness of the urban local bodies (ULBs) 'on the basis of legal and legislative framework, economic base of the service area, municipal finances, operations and service delivery and municipal management'.[11]

Among the most alarming impacts of JNNURM, both potential and realised, are the forced evictions of the poor, who constitute the majority of urban India and who are largely responsible for running the cities. Additional consequences are a de-emphasis on social investment and the undermining of local governance structures.

This form of development, as demonstrated over the past decade, deliberately moves urban slum dwellers out of the cities and into peripheral areas to make way for airport expansion, roads and flyovers, and other large infrastructure.[12] The majority of India's urban residents live in slums which are usually dwellings constructed on government land. Depicted as illegal residents who are interfering with 'progress', 1.5 million slum dwellers have been evicted to clear land in the past decade in Mumbai and Delhi alone.[13] Many of the nearly 100,000 people evicted in Mumbai during the government's bulldozing of early 2005 had paid for their homes and were forced out without warning.[14] A government decision in Delhi displaced 150,000 people from the Yamana Pushta settlement area.[15] Similar catastrophes have occurred in most Indian metropoles. These evictions, even the few with a 'resettlement' plan, cause extreme hardship for people who find themselves impossibly separated from their place of employment, which is usually in the urban centre, and further without essential services such as water, sanitation, health care and education. The JNNURM includes nothing to prevent the continuation of this pattern (such as a ban on forced evictions or a 'land for land' resettlement policy), and its critics fear it will only continue to escalate the human devastation caused by forced evictions.

With a funding ratio of nearly 3:1 between the two programme components in favour of funding for high-end infrastructure, the introduction of user fees as a mandatory (immediate) condition of JNNURM and the lack of a clear policy on user fees and the urban poor, JNNURM is positioned as a programme to further impoverish the poor rather than reduce poverty. Social services, including health and education, infrastructure which includes free water, and programmes for employment creation are among the most important needs of the urban poor. Excluding these basic needs highlights the priorities and the contradictions of the plan.

While a condition of JNNURM is the implementation of the 74th Amendment (which decentralises urban development planning to the ULBs), the programme contradicts its spirit by mandating the direction ULBs take, choosing the cities in which it is implemented without state consultation and by fundamentally changing the nature of the decentralisation process itself. The process of creating CDPs via private consulting firms directly bypasses elected bodies. Consultation processes which have occurred have been criticised for tokenism and exclusion.[16] The notion of civil society mentioned in the plan's multi-stakeholder consultations has been marketised: it is primarily composed of corporate stakeholders (including lobbyists for construction and related sectors and the information technology sector), fund-driven non-governmental organisations (NGOs) which focus on issues such as 'e-governance', and elite consumers (middle class citizens' groups). Activists charge that the urban poor, who are the ones who will pay the most for the programmes, have been completely unrepresented in such consultations.

JNNURM is a continuation of multiple World Bank-funded projects, many of which are still operational (as in Tamil Nadu). It is the acceleration of a style of urban planning that is disenfranchising those already poor and further eroding democratic functioning. Like all other World Bank packages, the poverty alleviation wrapper is lip service to ideas of social justice and a cover for neo-liberal style restructuring, which is happening across all sectors. The reality is that the making of 'world-class' cities benefits only that fraction of the population that can afford private cars, air travel, pay for water systems and expensive health care. The concept of social planning that created ULCRA, which was intended to serve all citizens and to avoid extremes in distribution patterns, has been successfully discredited by the World Bank.

The following accounts describe, in greater detail, the processes involved in the remaking of Indian cities, their flawed and exclusive planning processes, and the cruelty and intentional nature of urban evictions. The activists who are included in these accounts are among the many who are challenging how development is defined and who benefits. They are actively struggling against projects which deny the fundamental rights of life and livelihood to India's urban poor.

How the Bank Controls Urban Development

SIMPREET SINGH

Simpreet Singh is an activist with Ghar Bachao Ghar Banao Andolan, a constituent of National Alliance of People's Movements (NAPM) working on the issues of the urban poor. Based in Mumbai, he is actively involved in the struggle of realising the rights of the urban poor. By exposing and challenging the nexus of global and national capital that is transforming Mumbai into a world class city, he and his fellow activists endeavour to transform the city into an inclusive one.

I will talk about the World Bank, its projects, its commitments and their impact on society. Ever since independence, the mode of development opted by our planners was focused on urban development. They also opted for industrialisation based on capital-intensive industries and not cottage-based industries. This was reflected in our five year plans. The country marched forward with factory-based production, on one hand, and on the other, at a much more limited scale, small-scale and village-based production.

Today more than 28 per cent of the population lives in urban centres. This segment of population is termed as the 'engine of growth' by financial institutions and our economists. But what is the status of the poor who constitute a major chunk of this 'engine of growth'? How much have we succeeded in realising their rights as guaranteed by the Constitution?

We have to accept the fact provided by the statistical data that of the 28 per cent people living in urban centres, 55 per cent of them live in slums.[17] When we say slums, we say it is a place which is inhabited by people without basic amenities like potable water, proper sewage and sanitation. This is true in all cities, like Delhi, Chennai, Mumbai, Bhopal and Kolkata although the numbers living in these slum areas may vary. Who are these people? These are the people who have been displaced owing to industrialisation. Displacement is not caused only by big things such as dams and wider roads, but also by industrialisation, which forces these people to move from their villages to the urban centres. Our government is of the view that they encroach on lands in urban centres. This view is echoed by our judiciary. But the fact is that they do not encroach on the space but they facilitate the running of the urban centres, which is completely ignored by our development planners. These slum dwellers build our buildings, work as domestic help, act as drivers, etc. It is their energy and enterprise that fuel the informal sector and provide a substantial amount of any city's gross domestic product (GDP).

What is the role of World Bank in all this? After we attained independence, the World Bank has been engaged in framing our policies directly or indirectly. Even if they do not directly fund projects, they will intervene in policy-making. That intervention will be by way of Analytical Advisory Assistance (AAA). Through this policy advice, the Bank proposes that their engagement should benefit those states where the urban local bodies are reform-oriented.

So states which were ready to listen to the World Bank were given loans. Tamil Nadu, Maharashtra, Karnataka, Gujarat and West Bengal have all listened and in these states the Bank has changed their policies.[18] World Bank investment in the urban development sector is increasing from Rs 20,000 crore to Rs 1,25,000 crore, which will be provided between 2007–13 and carried forward by the urban bodies. The analysis for this investment was done by the World Bank and their findings were incorporated in the National Urban Renewal Mission (NURM) as both mandatory and optional reforms.

Under the federal structure of governance, tax collected is given to the states by the Centre. But the sum to be given to the states is contingent on states acceding to conditions imposed by the Centre, which in turn have been laid down by the World Bank. One of the first conditions is the repeal of the Urban Land Ceiling Act. Second, the CDPs, which were previously the duty of the municipal corporations of the states, will now be written by private consultants. The 74th Constitutional Amendment is completely bypassed by bringing in these consultants.[19] The central government has declared a panel of twenty-nine consultants and published their details on its website.[20] It imposed the conditions that the states have to choose one of the consultants from the list.

In this way the whole process of modelling our cities has changed and is being run by the World Bank, although behind the scenes. The only way to stop this rapid change is to come together and fight against this process and expose and oust the Bank in the same way we did in the Narmada project. We can tear down their mask, expose their nefarious designs and oust them from here.

Resettlement in the Hosabalunagara Slum, Bangalore

AFSAR

Afsar is the Secretary of the Hosabalunagara Nivasigala Sangha, Singapura, Bangalore. He is actively involved in the land struggle, the struggle for basic amenities and in the Campaign against Water Privatisation, Karnataka.

Our area has around 3,600 families and is facing an acute water shortage. We have been living in this area since 1998–2002. Prior to this, we were living in an area where we had all the facilities—water, schools, shops and sanitation. Without any warning, we were shifted from Padarayanapura slum (railway land) because the land was needed for laying additional railway track for the Bangalore-Mysore railway line. Now we have been dumped in the present location and we are faced with acute water and sanitation problems. Only we know how we are surviving. Though our country has achieved independence, this has no meaning for us since we are not even being provided drinking water. If this is our plight, what will become of our children and subsequent generations?

When we enquire about water supply from the corporators[21] and municipal authorities, their straight answer is that there are no funds. They asked us for Rs 5,000 to provide a water pipeline. This is possible for the rich classes but for us there is neither bore well water nor Kaveri river water. There is also no drainage system in the area where we have been relocated, nor any facilities for the women to ease themselves. To all these problems the government has a straight answer, 'the problem can be solved only when money is allocated'. But we do not know when the money is going to come.

This is our plight. Similarly, there are five slum wards with a similar population and similar problems. I am representing my ward. The schools are situated far away. Small children have to trudge through wilderness to get there. When we ask for our housing rights, they always say that under JNNURM we will be provided drinking water facilities and housing. Will these facilities be given to us after our death?

JNNURM Implementation in Bhopal, Madhya Pradesh

PRADEEP SINGH

Pradeep Singh works with urban slum dwellers in Bhopal, Jabalpur and Indore on the issues of housing rights, livelihoods and right to basic services. He works with an activist group called Nagrik Adhikar Manch, in Madhya Pradesh.

Much has been said about the NURM and the World Bank and how the NURM is guided by the policy framework of the World Bank. The reform agenda of the Bank is the same in all sixty-three JNNURM cities. I would like to describe the impact of the policies and the processes that are taking place in Bhopal.

When the JNNURM was introduced and the CDP was framed in Bhopal in the NURM, it was mentioned that the 74th Amendment would be implemented and participation of urban local bodies would be facilitated along with the people's participation in the development of the city. But such a process is not visible. Only one party, Mehta and Associates, has developed the CDPs of Bhopal and Indore. The interesting thing is that the facilitation work and other subcontracts have also been awarded to the same Mehta and Associates. Hence, no public participation of local bodies was seen when the development plans were being formulated. The talk of implementation of the 74th Amendment in the process of City Development Plan proves quite contrary to the action on the field.

Second, in the NURM, there was a lot of propaganda that the urban poor would be provided basic services and housing. This included big cities like Bhopal and Indore. But the question is whether this is indeed the intention of JNNURM. From the figures that we have, we can see there is a process underway to exclude the poor by way of data. When they are not included in the data, the question of providing the poor services does not arise.

A look at the census figures shows that in 1990/91, the urban poor population of Bhopal was around 4.60 lakh. But the Census of 2001 shows a reduction in the number of urban poor to 1.75 lakh. Where have the remaining urban poor disappeared to? As we see, the population is increasing day-by-day and the same applies to urban areas too. Accordingly, the urban slums and urban poor should also increase.

Also, the CDP data for Bhopal says there are 384 slums, but in a survey conducted in 2006 by Oxfam to count the actual number of slums, it was found that there were 543 slums. Hence, the CDP excluded 159 slums. At the same time, under the CDP, they talk of freeing Bhopal from slums by 2012. How is it possible?

While the World Bank and JNNURM talk about developing services for the urban poor and alleviating poverty, in the actual plan these issues are missing. The CDP actually openly announces that its mandate is not to provide employment to the people. The guidelines relating to the development process seem to mainly focus on the privatisation of infrastructure and basic services. Owing to these policies, the price of water is being increased. There is a move to increase the price to Rs 420 per month. The same process is being repeated in Indore. There is also a move to disconnect public taps, which are the source of water for the urban poor.

Simultaneously, there have been large-scale evictions under JNNURM in Bhopal and the poor have been shifted from prime locations and moved to the periphery of the city. They have been shifted to places more than 15–20 km from the city where there are no basic services. One of the sites of rehabilitation is Kala Paani near the Kolar dam. This site's name is reminiscent of the place where freedom fighters were deported during the freedom struggle. Now the poor people are being deported to Kala Paani in Bhopal.

Under the CDP, there is a provision for sanitation and a contract has been awarded. According to earlier data, when the work of cleanliness was undertaken by the municipal corporation in a zone, it entailed an expenditure of Rs 50–60 lakh per year. But after its privatisation, the expense will increase to Rs 85 lakh per year. This is quite contradictory because JNNURM envisages that by privatising services, they would be provided more cheaply and efficiently.

Presently the CDP entails an expenditure of Rs 21,053 crore, out of which only Rs 84 crore[22] will be spent on the urban poor, whereas the percentage of urban poor is 56 per cent. So whether it is the case of budget allocation or compilation of data, the intention of the World Bank is clear.

Urban Poor and the City Development Plans in Uttar Pradesh

ANSHU MALVIYA

Anshu Malivya is the convenor of the Allahabad Shahri Gareeb Sangharsh Morcha. An activist who has been working with the the urban poor in Uttar Pradesh for the last 15 years. Over the last few years the main focus of his association has been to train and mobilise the urban poor resist elite city development plans which seek to push the poor to the fringes of the city.

We are talking of NURM and we have seen how in the name of democracy the objectives of JNNURM are achieved. Two senior bureaucrats, Mr Anand and Mr Mohanty, had come to Lucknow on the 2nd week of September 2007. They had called NGOs and community people for consultation in the context of NURM. They openly said that they will only listen to those invited to speak and then made an attack on the NGOs and people's organisations. Hence, there is a clear strategy to exclude community groups from the outset. Many NGOs are also propagating the ideology that the government should straightway talk with NGOs, thus bypassing the mass organisations and the urban poor.

On the one hand, government bureaucrats are excluding the urban poor and, on the other hand, they are framing CDPs under which they overtly say that they will bring about public disclosure provisions and the right to information. The citizens of Allahabad felt that the people who were active among the urban poor were totally bypassed in the CDP process. Instead, some people from the Lion's Club were invited and consultations were done with them. The rest of the people only came to know through media about the subject and contents of the consultation.

Though they talk about transparency, in practice they revealed the contents of the CDP in their detailed project report much later. Prior to that, when we sought information under the Right to Information Act about the CDP, the lower functionary in the city municipal corporation was not aware of the authority from where such information could be sought. Then we went to the Mayor's office in order to obtain information about the CDP. We came to know that that Mayor had not even seen the CDP. The Mayor pleaded with the Chief City Officer to let him see the contents of the CDP. When we met the legislators for this purpose, they showed us a single-page document, saying that they had only this much information. Yet, they praised the programme, saying that they will receive huge amounts of money for the projects and that this would bring many benefits.

Hence, the people's representatives, including the Mayor, have been sidelined and all the deals are being executed by the bureaucracy.

The CDP for Lucknow was made by an agency named Feedback Venture, which was recommended by the World Bank. It formulated the CDPs for Allahabad and

Varanasi. They prepared the whole CDP in just two months without any data or figures. They compiled it with the help of previous masterplans, previous data, etc.

To cite an example about the haste and total inexperience with which the CDP of Allahabad was made, they made maps of the areas where the flyovers and roads would be constructed. We pressured Feedback Venture and arranged a meeting. In the Civil Lines area, there are buildings and houses over 150 years old. The current residents are descendants of craftsmen and other traders. Many houses and slums have been constructed in the area. When we brought it to their attention that over 20,000 people are living in this area and what was their plan to rehabilitate them, they were taken by surprise and said that they were unaware of this fact. Nobody had told them. Hence, with such scarce data they had constructed their analysis which contained the data of only roads and buildings without any information on people.

The meaning of democracy has been distorted in this process of JNNURM. In the cities of Allahabad, Lucknow and Varanasi, the amount being spent for the provision of basic services for the urban poor is 15–20 per cent of the total amount. In Lucknow it is 12 per cent in the first phase. But the amount being spent on consultancy is higher than 12 per cent.

Lastly, I want to say that the amount earmarked for the urban poor is abysmally low and that the government does not have adequate data of the urban poor. According to the Census of 2001, there are no slums in Lucknow, but our survey shows that there are 787 slum *basti*s in Lucknow. This is just the tip of the iceberg. When the government has no data on the subject, how can it even think of planning and providing basic services to the people?

Displacement and Development in Chennai, Tamil Nadu

GABRIELE DIETRICH

Gabriele works for a women's organisation called Pennurimai Iyakkam (Movement for Women's Rights). She is also a National Convenor of the NAPM.

In Madurai, we had to struggle against a World Bank scheme which claimed to clean up the water ways between 1993–1995. 20,000 people were facing evictions. There were protracted struggles and the project finally closed down because of corruption and because it was recognised that the Bank's own policies were violated .

In Chennai, the CDP has been opposed by many organisations, because consultation on people's needs had not taken place. Pennurimai Iyakkam and Women's Struggle Committee (consisting of over thirty women's organisations) worked closely together with unions in the unorganised sector like Nirman Mazdoor Panchayat Sangh, Manual

Workers Union and Unorganised Workers Federation. One of the main demands was workers' resource rights.

Workers in the unorganised sector are not appreciated as workers. On the contrary, they are only seen as slum dwellers and as an eye sore, which has to be removed. We have been chronically suffering from this phenomenon.

Let me explain why nobody came to this Tribunal from amongst the affected people in Chennai. I was phoning everyone and exhorting them to come to Delhi to depose in this Tribunal. Many people could not come because they refuse to give up the land where they are staying and live under fear of eviction. That is the situation in Srinivaspuram and Foreshore Estate along the coast. Here there are hutments in the area and tenement buildings along with shops. These have been reconstructed with some help from ActionAid. There is a court case going on because people have gone to court for their right to stay in the place. But the stay order can be vacated any day. Hence, they are under threat of being evicted and their houses bulldozed. For this reason they refused to come. This is symptomatic of the situation on the ground.

I would like to say that this is endemic in the JNNURM at the national level. There is an underlying conflict between the different objectives. One objective is to expand infrastructure and governance and the other is to alleviate urban poverty and to provide people with drinking water and basic amenities, especially with drainage, etc.

South India is comparatively good. But we found that the basic services and the amenities are totally violated at the cost of infrastructure ambition. We are expanding the infrastructure but the poor are in the way of its expansion. We raised this issue with Minister Jaipal Reddy in March 2007 when National Alliance of People's Movement, of which I am one of the national convenors, organised a protest. We apprised him of the situation. He said, 'Infrastructure should not be developed at the cost of the poor. Evictions should not take place because of that and the survival rights of the urban poor are fully respected under the JNNURM.'

What the government is saying and what it is actually doing is absolutely contradictory. As a strategy we have to constantly call that bluff and say that the government is lying and it is not doing what it claims. Tens and thousands of slum dwellers have been removed and left in conditions where their right to work is not safeguarded, where the safety of the women is not safeguarded and health is not safeguarded, and their right to work and life are constantly violated. Within the CDP, 75,000 families are marked for relocation in distant areas. How they will be consulted and when this all will be done, we all do not know. These 75,000 families are being told to be ready to be evicted because they live in objectionable areas.

Beyond this, there is a long-term plan to resettle people, to drive out people from the waterways and the coast. The city of Chennai is an agglomeration of fishing villages. The Kuppangal, which are along the coast, are actually the original Chennai inhabitants and are the actual founders of the city. But Kuppam is now called a slum. So the people who are the original settlers are deprived of their rights and dignity.

In the name of infrastructure development the administration is now planning to oust 3.5 lakh people from the coast and the waterways. This is to make way for a gigantic flyover along the coast and to build a new Metro line. In the name of cleaning the waterways and establishing recreational areas like an eco-park along Adayar river, people on river and canal banks are facing eviction. Efforts to clean the water ways have been going on since the seventies and over one thousand crores have been spent, but the canals are as dirty as ever. The main problem is that Metro Water has treatment plants only in three areas, while the bulk of waste water is released untreated into the rivers and canals. Due to this, there is a mix of human waste, animal waste, chemical pollution from industrial units, which forms a highly poisonous slush. Unless the metro water authority cleans the sewage and never lets the untreated sewage into the canal and river system, nothing can be done. No amount of eviction would help because other untreated sewage also enters into the eco-park along Adayar river.

Only 5–10 per cent of the pollution is from the slum dwellers and the remaining pollution comes from other sources. So there is no point evicting these people. This has been known over the last twenty-five years and so the struggle is going on. People are fighting for their right to livelihood and for comprehensive legislation for unorganised sector workers.

People should have rights and they should be acknowledged as producers. They have a right to be in the city and its public spaces. Hence, there is a need for a consultation process where the slum dwellers and people in the unorganised sectors are involved and where their living spaces are acknowledged and where their right to be in the city is acknowledged. They are not eye sores. They are the backbone of the city they have founded and have kept going, and now they are ready to fight for their right to be in the city. The struggle is ongoing.

Notes

1. Rs 1.25 trillion or US$ 31.6 billion.
2. Smita Aggarwal, 'More Funds Sought for JNNURM', *The Indian Express*, 29 September 2008, http://www.indianexpress.com/news/more-funds-sought-for-jnnurm/366991, accessed 8 December 2008.
3. Delhi, Greater Mumbai, Ahmedabad, Bangalore, Chennai, Kolkata and Hyderabad.
4. For a full list of targeted cities, please see Ministry of Urban Development, 'JNNURM: Overview', Government of India, https://jnnurmmis.nic.in/jnnurm_hupa/jnnurm/Overview.pdf, accessed 8 December 2008.
5. For a complete list of what is eligible and ineligible, see 'JNNURM Overview', pp. 11–23.
6. See Prabhat Patnaik, 'The Changing Role of the World Bank in India' in the current volume for a discussion on the stamp duty conditionality of JNNURM in Kerala and its impact on local budgets.

7. The full list can be found in 'JNNURM Overview', pp. 13–14.
8. The World Bank report *Land Policies for Growth and Poverty Alleviation*, Washington DC, The World Bank, 2007) was a major input via World Bank Analytical and Advisory Assistance and which was part of the Country Assistance Strategy commitments of 2004–5. Multiple studies have been conducted on various aspects of JNNURM by the World Bank's research department. For example, 'Stamp Duties in Indian States: A Case for Reform' argues that stamp duties 'strongly discourage real estate transactions and thus impede the development of efficient and flexible urban real estate markets'.
9. See the project information documents for the 'National Urban Reform Fund', http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P088776 , accessed 8 December 2008; 'Sustainable Urban Transport Project http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P100589, accessed 8 December 2008; 'National Urban Infrastructure Fund' http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P092699, accessed 8 December 2008; 'Capacity Building for Urban Local Bodies', http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P099979, accessed 8 December 2008.
10. See the ADB's presentation on JNNURM technical assistance: 'Two Years of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)', http://www.adb.org/Documents/Periodicals/SAUD/2008/apr/docs/2yrs-JNNURM.pdf, accessed 8 December 2008.
11. Smita Aggarwal, 'Government Fixes Credit-Worthiness OF ULBS', *The Indian Express*, 4 July 2008, http://www.indianexpress.com/news/govt-fixes-creditworthiness-of-ulbs/331108, accessed 8 December 2008.
12. JNNURM's predecessors did the same.
13. Lalit Batra, 'JNNURM: The Neo-Liberal Mission for Indian Cities', *Liberation*, July 2007, p. 1, http://www.cpiml.org/liberation/year_2007/July/jnnurm_neo_liberal_mission.html, accessed 8 December 2008.
14. Renana Jhabvala, 'Divided Realities in World-class Cities', *The Hindu*, 28 September 2007, http://www.thehindubusinessline.com/2007/09/28/stories/2007092850340900.htm, accessed 8 December 2008. Renana Jhabvala is a national coordinator of the Self-Employed Women's Association (SEWA).
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18. Specific projects include the Tamil Nadu Urban Development Project (TNUDP) I, II and III (1988–97, 1999–2004, 2005–11), the Mumbai Urban Transport Project (2002–9), the Karnataka State Highways Improvement Project (2001–7), the Karnataka Urban Water Sector Improvement Project (2004–8), the Karnataka Municipal Reform Project (2006–12), the Gujarat Emergency Earthquake Reconstruction Project (2002–8) and the Urban Development Project Calcutta III (1982–93).

19. The 74th Amendment is intended to decentralise governance and, in particular, increase the power of ULBs in decision making regarding development and social priorities.
20. The JNNURM consultants' list can be found at http://urbanindia.nic.in/moud/programme/ud/consultants.htm accessed 8 December 2008. Most of the twenty-nine can also be found at the World Bank's official list of Indian contractors, http://web.worldbank.org/external/projects/main?menuPK=228440&theSitePK=40941&pagePK=227829&piPK=95918&query=&regioncode=ALL&countrycode=ALL&sector=ALL&majorsector=ALL&procurementtype=ALL&procurementmethod=ALL&procurementgroup=CS&suppliercountry=IN&startyr=ALL&endyr=ALL&pagesize=10, accessed 8 December 2008.
21. Elected members of the Indian municipal corporations, which are local governing bodies.
22. US$ 5.3 billion total expenditure, out of which US$ 21 million is allocated for the poor (1.9 per cent). See James Alm, Patricia Annez and Arbind Modi, 'Stamp Duties in Indian States: a case for reform', Policy Research Working Paper Series, No. 3413, Washington DC: The World Bank, 2004.

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The World Bank and Disaster Relief

VANESSA PETERS AND R. M. ALVINO

The tsunami-affected coastal communities[1] of the urban and semi-urban coastal villages of Chennai, Thiruvallur and Kanchipuram have been displaced and many still face massive relocation threats—a violation of the right to dignified life, adequate housing, sustainable livelihood and 'kudiyiruppu' (homesteads).

People Speak

In the month of March 2005, we were asked to come to the tahsildar's office. At the office without providing us proper information they took thumb impressions on a form from more than 100 women.The official grabbed my hands from the other side of the counter and took my thumb impression without asking me if I could sign.When I realised that the officials asked us to forego our lands, I refused. The former MLA [Member of the Legislative Assembly] resorted to physical and verbal abuse. I was beaten up in front of the government office and no one questioned the MLA because of his political power.

—Rani, Annanagar Kuppam, Chennai District

About 3000 families were residing for generation after generation in our settlement, namely Pattumedu in Srinivasapuram in Chennai. We all belong to the Dalit community. Now the government officials have verbally informed us that we have to move out and hence we are suffering. We do not go to work because we are afraid that the officials might come any time to relocate us. We are living in constant fear that we will lose our traditional area of habitation. If we move out, our livelihood will be severely affected. We will fight to retain our land.

—Kausalya, Srinivasapuram, Chennai District

> We were relocated to the permanent houses which do not have proper infrastructural facilities. There are problems like absence of government schools in the locality. I could not afford to send my children to school and hence I have stopped their education. There is no hospital facility or provision for safe drinking water. I buy one pot of drinking water for four rupees. Mosquitoes plague the site. The youth in our area are resorting to substance abuse. The empty houses are being used for sex work and many women have been forced to adopt sex work. All these problems have stemmed out because of a lack of livelihood opportunities in the relocation sites, as it is too far from the coast and the city where our livelihood thrives.
>
> —Priya Kannan, Semmenchery Relocation Site, Kanchipuram District

> After the tsunami we were relocated to a place named Kargil Nagar that was seven kilometres away from our original place of habitation ... Then we moved to Ernavore site. My name was left out from the allotment list and I stayed in my parents' shelter because I was a single woman. The government promised us free transportation to the coast but failed to provide it. We were not able to spend [afford] 20 rupees per day for transportation. My [former] husband Muthu (32) was an alcoholic and he used to beat me up. At times I suffered massive injuries. I have left him and am staying alone for the last three years with my sons. I was not able to get work in the Ernavore site and I had no food to provide for my sons. I heard that more than 15 women had sold their kidney and hence I decided to do the same.
>
> —Revathi, Thondiarpet Relocation Site, Thiruvallur Relocation Site

Introduction

The demand for land in and around the metropolitan cities of India has increased exponentially. To meet this demand, private forces have been adopting innovative and ruthless means to usurp scarce land resources. Chennai city is no exception and its inhabitants living below the poverty line (coastal communities, slum dwellers and the homeless) are the main targets of land-grabbing processes because they occupy some of the prime lands within the city limits. For these vulnerable communities, the land grabbing of various agencies is not a new phenomenon and they have had to offer stiff resistance for decades to safeguard their customary rights. However, private entities are now adopting 'housing policies' as tools for alienating poor people from their traditional right to the land on which they have been living for generations.

Coastal communities have fallen prey to the trend of land usurping because of the ever-increasing demand for coastal land to cater to the needs of the flourishing tourism industry and real estate market. The Coastal Regulation Zone (CRZ) notification of 1991 has been the guardian of the rights of coastal communities to the coast and sea. However, the powerful neo-liberal lobby is gravely threatening these rights. Today, coastal communities live in constant fear of displacement and denial of their rights to the sea and the coast.

Neo-liberal forces used the tsunami of December 2004 as yet another excuse to gain control over the lands and property of coastal communities.

Private forces (such as builders and corporations) initiated land alienation processes by capitalising on the fear in the minds of people during the initial post-disaster days. Various housing schemes were drafted to suit the needs of private entities and not those of the disaster-affected people. The government of Tamil Nadu issued an array of orders that revealed the hidden agenda of the state. The most dreaded of these orders was GO 172. This order was cited in documents on which people were forced to issue thumb impressions. GO 172 states:

> … all the house owners of fully damaged and partly damaged Kutcha and pucca houses within 200 metres of the High Tide Line, will be given the choice to go beyond 200 metres, and get a newly constructed house worth Rs.1.50 lakh free of cost.
>
> Those who do not choose to do so will be permitted to undertake the repairs on their own in the existing locations, but they will not be eligible for any assistance from the Government.
>
> In all cases where new houses are given, the old site and the old house will have to be relinquished to the Government by a legally acceptable document … The areas so vacated because of new construction will be entered in the Prohibitory Order book and maintained for public purposes.

Heralding the involvement of the World Bank in the disaster response programme, this order also notes: 'It is expected that Government of India and the World Bank will provide substantial assistance for this programme.'[2]

The World Bank and Disaster Capitalism

An analysis of the World Bank's patterns of expenditure clearly highlights that the Bank has turned its policy towards disaster capitalism. There has been a considerable growth in loans disbursed for disaster relief, housing policy and housing finance. Eleven per cent was spent on disaster relief during the period 1972–86. This increased to 25 per cent during 1987–2005. Housing finance increased from 15 to 49 per cent over the same time periods and an 11 per cent expenditure increase was incurred exclusively for housing policy, 1987–2005.

The motive of the World Bank is clearly expressed in its Housing and Land Policy which states: 'The World Bank Group focuses on assisting national and local governments in formulating policies and programs on two aspects of the sector: *linking real estate market development to overall economic development in client countries* and focusing on how to make the housing market more efficient to provide adequate shelter for all city dwellers' (emphasis added).[3]

The World Bank's Emergency Tsunami Reconstruction Project (ETRP) is summarised in Box 32.1.[4]

Box 32.1 Overview: India, Emergency Tsunami Reconstruction Project (ETRP)

Name of the Project: India: Emergency Tsunami Reconstruction Project

Project ID: PO94513

Project Status: Active

Approval Date: 03 May 2005

Closing Date: 30 April 2008

Project Implementation[5]

Credit Number: 4054-IN

Dates: Damage Assessment Joint Mission – January 2005

Project Agreement and Development Credit Agreement: 12-5-2005

Location: 13 Coastal Districts in Tamil Nadu

Implementing Agency: Government of India through the Government of Tamil Nadu and Pondicherry Administration

Other Implementation Agencies:

Department of Rural Development, Tamil Nadu Slum Clearance Board, Commissioner of Agriculture, Director of Fisheries, Director of Animal Husbandry, Principal Chief Conservator of Forests

Environmental Category: B

Bank Team Leader: Pusch, Christopher

Borrower: Government of India

Financial Overview of the Project[6]

Costs and Financing: Total cost estimated at US$ 423 million of which US$ 354.2 million is for housing reconstruction, US$ 9.4 million is for technical training and US$ 12 million for implementation support arrangements.

Share of the State Government: The Government of Tamil Nadu's contribution is US$ 23 million towards land acquisition and US$ 4 million towards implementation support.

Finance Status[7]

Financiers:

International Development Association – US$ 464,000,000; Borrower's contribution – US$ 217800000

Lending Instrument: Emergency Recovery Loan

Principal: US$ 465,000,000

Available: US$ 405,231,098

Disbursed: US$ 59,484,470

Source: World Bank, Emergency Tsunami Reconstruction Project, Project Paper, 2009, http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000334955_20090710012103, accessed 6 September 2009.

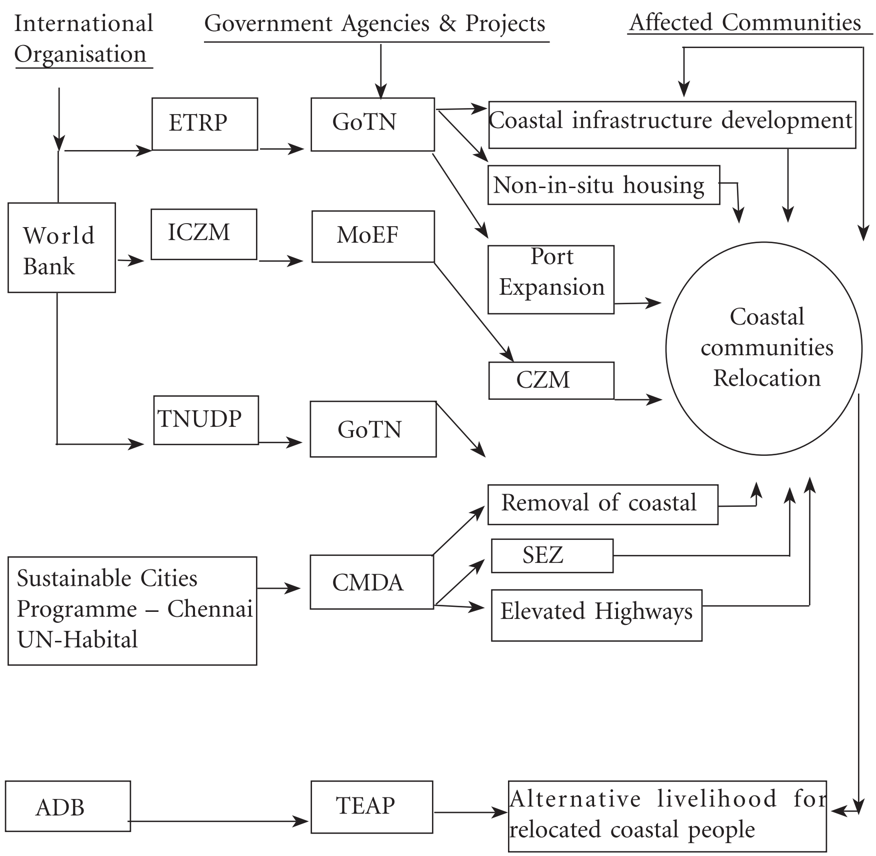
The World Bank has also pumped US$ 1613.7 million into various urban development measures in Tamil Nadu. The tsunami funds have been yet another method used to grab coastal resources, just as the urban development funds have been utilised to alienate the urban poor from their legal entitlement to land within Chennai city limits.

Impact Assessment of the World Bank and Other External Funds on Coastal Communities

The World Bank-funded ETRP is another manifestation of the Tamil Nadu Urban Development Project (TNUDP), exclusively designed to fulfil the agenda of appropriating coastal lands.

As shown by Figure 32.1, the World Bank and other external donors have supported activities such as port expansion, elevated highways and special economic zones (SEZs) which have resulted in the relocation of coastal communities.

Figure 32.1 Projects that Alienate the Coastal Community from their Homesteads



Notes:
- ETRP – Emergency Tsunami Recovery Project
- GoTN – Government of Tamil Nadu
- ICZM – Integrated Costal Zone Management Project
- MoEF – Ministry of Environment and Forest
- CMDA – Chennai Metropolitan Development Authority
- SEZ – Special Economic Zone
- ADB – Asian Development Bank
- TEAP – Tsunami Emergency Assistance Programme
- TNUDP – Tamil Nadu Urban Development Project

Rationale for in-situ Housing for Coastal Communities

Coastal communities can lead a dignified life only if they are provided in-situ housing. The entire lifestyle and livelihood of these communities depend on their access to the sea and the coast: to station their boats, repair their nets and engines, dry fish and for community activities like Manniyattam (a traditional game coastal community women play in the evenings). Also, fisher folk venture out to sea based on the availability of fish. They determine the availability of fish by observing slight changes that occur in the sea when schools of fish arrive. For all these activities and for their survival, coastal communities require in-situ houses. However, the ETRP denies coastal communities in-situ housing in order to cater to the needs of more wealthy sections of society. The trend of building non–in-situ housing is most prevalent in the urban coastal areas of Chennai and surrounding areas. Together with other externally funded projects, the ETRP denies people in-situ housing by promoting relocation trends.

The World Bank introduced the concept of a 'vulnerability line' by funding the implementation of the Integrated Coastal Zone Management (CZM), as proposed by M.S. Swaminathan.[8] This paved the way for the relocation of coastal communities under the guise of 'safety housing'. Some of the likely impacts of the CZM on coastal communities are:

1. Coastal communities will be asked to move away from the coast in the name of safety housing;
2. The vulnerability line will be marked and people will be asked to move beyond this vulnerability line, whereas industries will be allowed to flourish within the vulnerability line;
3. Coastal resources will be brought under the direct control of the state;
4. The CZM will herald the privatisation of the fishing industry;
5. Coastal communities will lose their traditional right over coastal lands.

The other activities proposed under the ETRP are the expansion of harbours and ports; development of coastal infrastructure (roads and bridges); de-silting projects;

and the construction of fish landing centres.[9] These will also have a drastic impact on coastal communities. The expansion of ports and conversion of these areas into SEZs[10] and the expansion of highways connecting ports and cities, will not just result in displacement but also signifies the entry of private players into the fishing industry.

The urban development schemes funded by the World Bank and other agencies clearly express the agenda of relocating the coastal communities through slum alleviation projects. Coastal communities face multiple vulnerabilities because of the tsunami and these various projects unleashed against them.

Though the ERTP and other projects cover thirteen coastal districts of Tamil Nadu, the ill-effects have been widespread and immediate in the districts of Chennai and Thriuvallur for the following reasons:

- Chennai and Thiruvallur districts are urban and semi-urban and their coastal lands are in great demand due to the unavailability of these lands for private purposes.
- The tsunami survivors of these districts face policy differentiation adopted in the ETRP project. It is only in these two districts that housing initiatives fall under the Urban Reconstruction Project of the ETRP. This caters to the interests of neo-liberal forces and in-situ houses are rarely undertaken.
- It is only in these two districts that tenement houses are constructed. The vertical houses, with a ground and three floors, save on land space required to construct the houses. In other districts, due to the non-immediate need for land for privatisation, World Bank funds have been used for building independent, bigger houses.
- The housing schemes in these two districts are implemented by the Tamil Nadu Slum Clearance Board, which constructs small, inadequate houses ranging from an inner plinth area of 160 to 212 sq ft.
- The state government has brushed aside persisting issues in the relief and rehabilitation process in these districts, stating that Chennai and Thiruvallur districts are "lesser-affected" districts of Tamil Nadu.
- These two districts also fall under various schemes devised in the City Development Plan for Chennai that also result in relocation of coastal communities and denial of their traditional rights.

Thus, the coastal communities in these districts are now facing a crisis because of the tsunami response programme and other projects and their ill effects. There have been gross human rights violations that stem in these areas but little effort has been undertaken to address these issues.

Profile of Coastal Communities in Chennai, Thiruvallur and Kanchipuram Districts

The fishing and the non-fishing communities of these districts are categorised as urban poor. They are rehabilitated primarily under the slum alleviation programme and rarely under tsunami schemes made available for tsunami survivors of other districts.

Table 32.1 Communities Who Have Been already Relocated from Kanchipuram and Thiruvallur

S. No	*Name of the Relocation Site*	*Name of the District*	*Number of Families Relocated*	*Original Place of Habitation of the Relocated People*
1	Okkiyum Thoraipakkam (First Phase)	Kanchipuram	1,344	Thideer Nagar, South Chennai District
2	Okkiyum Thoraipakkam (Second Phase)	Kanchipuram	1,887	Srinivasapuram, Oorur Kuppam, South Chennai District
3	Thondiarpet (Allotted Permanent House)	Thiruvallur	990	8 Villages of North Chennai District
4	Ernavore semi-permanent settlement (Relocated yet not received permanent houses)	Thiruvallur	1,166	Some People from the 8 Villages of North Chennai District
5	Semmenchery	Kanchipuram	2,045	People from Coastal Villages of South Chennai
Total			**7,432**	

Situation Analysis of the Coastal Communities of Chennai and Thiruvallur and the Relocated Communities of Kanchipuram Districts

The coastal communities of these districts have been marginalised and ignored by the government of Tamil Nadu. Some people have been dumped in relocation sites; others are still resisting relocation (Table 32.1 and 32.2). Some of the socio-economic-

Table 32.2 Communities Residing on the Coast Who Face Massive Relocation Threats

S. No	*Name of the District*	*No. of Families to be relocated*	*Proposed Sites – Finalised List*	*Number of Houses and Stages of Construction*
1	Chennai	16,839	Okkiyum Thoraipakkam (5,166) AIR Site (2,001)	Both the sites are under construction
2	Thiruvallur	6,635 - Beyond 200 metres 6,435 - Beyond 500 metres	AIR Site (2,565) Finalised	Site is still under construction
Total		**29,909**		

cultural dynamics of the coastal communities in Chennai and Thiruvallur districts that have resulted in their increased vulnerability are:

1. *Divisions between fishing and non-fishing communities*: It is a common misconception that only caste-based Hindus who profess fishing as their traditional occupation are considered to be part of the fishing community. Dalits, tribals and minorities also fish as an occupation and are a part of fishing communities. There is also an economic-based division in the fishing communities. There are rich trawler-owners who have fishing as their primary traditional occupation. They are predominantly from upper castes and classes. There are also daily wage earners who are boat workers, not boat owners, and are also a part of the fishing community. Most of these daily wage earners belong to marginalised communities in terms of caste and class. However, not all trawler owners are of the higher caste or all wage earners of lower caste. There are exceptions in both cases.
   Non-fishing communities are those who do not practise fishing as their primary occupation. They settle in the settlements (Nagars) along with the fishing community hamlets (Kuppams) and are involved in varied occupations. The non-fishing community comprises of people in the allied fishing sector, working in the marketing of fish, dry fish processing, ice plants and related businesses, engine repair, net making, salt pans, and crab and shrimp farming. The non-fishing community also includes those who do unorganised work, such as construction, carpentry, painting, domestic work, gardening and vending. The presence of both fishing and the non-fishing communities brings sustenance to a village. The livelihood of the non-fishing communities is dependent entirely on access to the coast and the city. In urban and semi-urban areas, there is hardly

any difference between a fishing hamlet and a non-fishing settlement. Many have inter-married and communities have lived together for generations. However, the government is now creating a rift by proposing different housing schemes for the Dalits and the fisher folk. Different standards, locations and cost of housing are adopted, thereby creating a rift between these two communities. By dividing the community, there will be less resistance and the relocation process will be smooth.

2. *Absentee landlords and voiceless tenants*: The economic situation in these communities has to be analysed as it contributes to growing inequality. In Chennai and Thiruvallur districts, most of the coastal villages are considered to be slums and the problem of absentee landlords is prominent. Tenants were particularly affected by the tsunami, as they resided nearest to the sea. These people were completely left out in the relief and rehabilitation process. It was in fact the owners who received entitlements. Tenants have been marginalised and are the worst affected in the process of relocation, as they do not have any claims to their land because of the power of the landlords. Due to this, tenants are forced to accept the government housing scheme.
3. *Community leaders—power structures within coastal communities*: Traditional leaders are the most important decision-makers in coastal communities. Local community leaders are a group of locally elected leaders from the fishing hamlet (Kuppam) who also govern the non-fishing hamlet (Nagar). The elected leaders hold office for one to five years based on changes in political power in the state. The ruling party in the state influences these leaders and the government often only interacts with these leaders. The leaders of big villages (Thallai Voorus) influence the decisions of entire villages in the area. Thus, the decision-making power of communities is vested in these local community leaders. These are the power structures that have prevailed over the ages and these leaders have very strong influence over the community. However, in some slum coastal villages, power is divided among many groups of traditional panchayat leaders who also have their own set of followers. These divisions are conducive for the government to play one part of the village against another or others.
4. *The role of women—economic empowerment vs. political empowerment*: Women in coastal communities are economically independent. Men catch fish and women sell the fish; hence they have economic independence. However, women have limited political space. Some of the factors that most affect women are the alcoholic habits of the men in the community, the prevailing patriarchal system and the complete negation of women in the decision-making process. Women do not sit in the vicinity when panchayat meetings take place, they are not allowed into these areas and they do not sit when the leaders are present. This situation has now changed after the tsunami interventions; however, the role of women in decision-making in the political process has still not improved.
5. *The monetary power of international agencies and other powerful groups*: It is an

undeniable fact that all relocation policies have been introduced by powerful neo-liberal agencies like the World Bank, the Asian Development Bank, as well as the land mafia, tourism and real estate industries. Equipped with financial strength, these groups are now creating policies and influencing government at the central and state levels. State agencies are also part and parcel of this process. Tsunami World Bank funds are treated as credits unless the state acquires an income from the private forces that infiltrate coastal economies by commercialising the traditional fishing industry, promoting coastal tourism and through the development of massive infrastructure. Thus, the state will not pay heed to the demands of coastal communities until they resort to drastic measures.

6. *The disunity of the agencies of change*: The huge influx of funds has resulted in many of the agencies of change (i.e., NGOs working on disasters) to convince people to accept relocation sites. The government utilised the people's trust in these agencies to get communities to move. These agencies of change later realised that they had been used by state agencies and private forces to assist in the relocation process.

Gross Human Rights Violations: The Need for Further Interventions

1. *Denial of the right to life and a dignified existence*: The lives of coastal communities in the aforementioned districts are now jeopardised because of urban reconstruction programmes that deny coastal communities their traditional right to coastal lands. From Chennai district, 7,432 tsunami-affected people were relocated to relocation sites in Thiruvallur and Kanchipuram districts that were about 18–27 km away from their original place of habitation. People were dumped in temporary shelters, suffering from trauma caused by inadequate living conditions. It was only after a long wait and organised and sustained struggle that permanent shelters were provided for them. However, even these houses were inadequate and all the sites were too far from the original place of habitation. The coastal communities lost their livelihood options because of lack of access to the coast and the city.

   In addition, some people were completely ignored by the state government after the relocation process. These people, unlike their counterparts in other districts, were forced to pay a rental advance of Rs 4,500, monthly rent of Rs 250 and electricity deposits. Many paid these advances with the relief amount that was distributed to them. To date, others have illegal electricity connections because of their inability to pay the advance amount. These people live in absolute poverty and can barely survive from day-to-day. They have completely lost their means of livelihood and face stigmatisation. As most of the relocation sites are massive slum rehabilitation areas, the sites are known for their high crime rates. Youths residing in these areas do not get employment anywhere because companies distrust them and refuse to recruit them.

Women find these areas unsafe because the sites are located in interior regions and transportation facilities are abysmal. Relocation has resulted in a total disruption of previous social structures and, as a consequence, in anti-social practices within the vicinity of the sites. Most women, in order to survive, have resorted to selling their hair and organs and some have had to go into sex work to meet their basic needs.

There have been instances of caste-based violence in some of the relocation sites.

For those who are awaiting relocation, their right to life will be denied if they are also taken to these sites that have already ruined the lives of many poor people. International law clearly states of people who are 'either forced to relocate due to Government regulations regarding coastal areas, for personal safety reasons or because of the new locations of permanent housing sites over which they had no choice. For whatever reason, as long as the survivors of the disaster remain displaced, they must be treated as Internationally Displaced Persons and guaranteed their rights as per the minimum requirements of Internal Law'.[11] However, in the tsunami context, these fundamental rights are alienated.

2. *Right against discrimination quashed*: Caste-based discrimination is very evident as most of those relocated are Dalits, tribals and minorities. These people are relocated because the government of Tamil Nadu does not identify their need to access the coast and city for their livelihood. Also, in some cases, as in south Chennai, fishing hamlets are relocated in new sites within the parameters of the city but non-fishing communities are relocated in sites already housing more than 12,000 families. Thus, a concept of Dalit ghettoism has emerged and is being promoted.

   Those who face relocation threats are also predominantly non-fishing communities. The government is now initiating a divide-and-rule policy against coastal communities, through its housing policy. By virtue of their caste, Dalits are now driven out of the city along with other predominantly Dalit slum dwellers. Rights for minorities are forgotten. The Inter-Agency Standing Committee (IASC) Operational Guidelines on Human Rights and Natural Disaster specifically refer to the human rights guaranteed for people affected by natural disasters, stating that 'as soon as possible, appropriate measures should be taken, without discrimination of any kind, to allow for the speedy transition from temporary or intermediate shelter to temporary or permanent housing, fulfilling the requirements of adequacy in international human rights law'.[12]

3. *Right to adequate housing is a distant dream*: International Human Rights Law clearly states that: 'Everyone has the right to adequate housing as a component of the right to an adequate standard of living. The right to adequate housing includes, inter alia, the right to protection against arbitrary or unlawful interference with privacy, family, home and to legal security of tenure.'[13] In the tsunami context,

though the government has claimed that they have rehabilitated the tsunami survivors into disaster resistant houses, the reality is indeed harsh. The size of the permanent houses ranges from 120 to 160 sq ft and each of the tenements has about twenty-four to thirty-two houses (roughly around 128 people). These houses have only one exit. In case of any disaster, the people will not have space to even move out of their houses. The houses have more than three floors and do not have in-house water facilities. In order to fetch water, women have to carry pots of drinking water to these floors. The housing allotment also does not provide consideration to the elderly and people with disabilities. The houses are inadequate in terms of size, location and infrastructure facilities. Drainage and sewerage facilities are not installed properly and there is stagnation of sewer water most of the time. Roads and streetlights are not well maintained. The quality of the houses is questionable as some have already developed cracks and have started to leak.

Single women are the most vulnerable, as they are not allotted houses and most of them remain homeless. One of the most critical issues in the tsunami rehabilitation plan of these districts is that the number of houses is fewer than the number of families relocated. Some families who were relocated a few months after the tsunami are still awaiting their permanent homes. In the meantime, they have been living in wretched temporary shelters for more than three years. There is political interference in the allotment process and many who were not affected by the tsunami are provided housing under the tsunami rehabilitation programme.

4. *Right to education curtailed*: children are worst affected in the relocation process. The relocation process took place in the middle of the academic year and children have not been able to resume their studies in the relocation site, as they are too far from their previous schools. Many children are not able to travel that far and hence have discontinued studying. Many have become dropouts because they were not enrolled in schools near the relocation sites. Because of the poverty that prevails in the relocation sites, many children have had to discontinue their education, as their parents could not afford to send them to school. Girl children in particular have been badly affected. Parents were scared to send their daughters to school as they had to leave early and return late. Transport is inadequate and it is unsafe for young girls to travel alone in and around these sites.

   The schools within the relocation sites are also bad. For example, in one school there were just three teachers for around 300 children. The problem is so bad that parents sometimes contribute money and hire private teachers for the government schools. For those who face relocation, this has become a critical issue. Further, because of the situation that prevails in the relocation sites, many children have taken to drugs and other substance abuse.

5. *Right to health denied*: Health facilities are minimal in the relocation sites. There are no primary health centres at these sites, even though the habitation consists of more than 5,000 families. There is no health care even for emergency and maternity care. There have been instances of childbirths in auto-rickshaws since pregnant women could not reach the government hospital in time, some 10 km away. In some relocation sites, improper planning has resulted in contamination of drinking water with sewer waste. This has lead to health complications and an outbreak of cholera. A child has also died due to the delay in transporting her to the hospital.

   Children are again the worst affected as there are no government-run Integrated Child Development Services (ICDS) centres. Children are also not entitled to the mid-day meal scheme in schools run in the relocation sites. Many women suffer from reproductive health-related problems. Rise in poverty has further caused women to suffer from various health complications. The communities who face relocation at present have health care facilities in the city and relocating them will result in a complete deterioration of their health status.

6. *Right to information*: The housing initiatives of the government are devoid of any community participation or consultation and are not culture specific. There has been a deliberate denial of information regarding the housing policies planned by the state. People have been forced to comply and put their impressions on documents the contents of which were not revealed to them. Information is passed on to just a few members of the community and only their consent is recorded, whereas the consent of the majority of the people is ignored. The location and size of houses and blueprints are not revealed to the community. As a result, people have no idea what houses or facilities will be provided.

Conclusion

There are still many houses being constructed without people's consultation. These houses are too small and are located in suburban sites that are far from their original place of habitation, in suburban ghettos.

Approximately 29,000 more people are expected to be relocated. Hence collective action has been launched to challenge these gross denials of basic rights and for the enforcement of the basic principle which emphasises that '"states must ensure that protection against forced evictions, and of the human right to adequate housing and secure tenure, are guaranteed without discrimination of any kind on the basis of race, colour, sex, language, religion or belief, political or other opinion, national, ethnic or social origin, legal or social status, age, disability, property, birth or other status'.[14]

Notes

1. Coastal communities include fishing and non-fishing communities. The fishing communities are not only caste-based Hindu fisher folks but also those who profess fishing irrespective of the caste or religious differences. The minorities, Dalits and tribals who practice fishing as occupation can also be classified as fishing communities as the classification is based on the occupation. The non-fishing communities are those who are into allied fishing work (salt pan, net and engine repair, etc.) and in the unorganised sector.
2. Government Order Ms. No.172, Revenue Department, dated 30 March 2005.
3. 'The World Bank, Housing & Land', http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTURBANDEVELOPMENT/EXTHOUSINGLAND/0,,menuPK:341083~pagePK:149018~piPK:149093~theSitePK:341077,00.html, accessed 3 June 2008.
4. World Bank, 'India: Emergency Tsunami Reconstruction Project', http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&enuPK=228424&Projectid=P094513, accessed 3 June 2008.
5. Project Implementation Plan, 2005, pp 11–12, http://www.tn.gov.in/tsunamiEAP/impl_ETRP.pdf, accessed 3 June 2008.
6. Project Implementation Plan, 2005, p. 12, http://www.tn.gov.in/tsunamiEAP/impl_ETRP.pdf, accessed 3 June 2008.
7. World Bank, 'India: Emergency Tsunami Reconstruction Project, Financial Overview', http://web.worldbank.org/external/projects/main?Projectid=P094513&Type=Financial&theSitePK=40941&pagePK=64330670&menuPK=64282135&piPK=64302772, accessed 6 September 2008.
8. M. S. Swaminathan, founder and chairman of the MS Swaminathan Research Foundation, leading the 'Green Revolution', his proposed Coastal Zone Management Report is viewed as a threat by the coastal communities as it will quash their traditional rights to the sea and the coast. M. S. Swaminathan, 'Report of Professor M. S. Swaminathan Committee on Review of Coastal Regulation Zone Notification, 1991', Ministry of Environment and Forests, http://envfor.nic.in/news/janmar05/swaminathan.pdf, accessed 5 September 2009.
9. Fish landing centres are a common place provided to the people for stationing their boats; the coastal people used to occupy almost the entire coastline for stationing their boats and fishing gear. But with the construction of these centres, the government plans to shrink the coast for the usage of the coastal communities so that the excessive land could be utilised by private players.
10. SEZ is a geographical region that has economic laws that are more liberal than a country's typical economic laws. The goal of an SEZ structure is to increase foreign investment. SEZs result in alienating local communities from their traditional rights to the land, coast and sea.
11. Housing and Land Rights Network, *Do People's Voices Matter? The Human Right to Participation in Post-tsunami Housing Reconstruction—Fact Finding Mission Report 10*, South Asia Regional Programme, Habitat International Coalition, December 2006.
12. Interagency Standing Committee, 'Protecting Persons Affected by Natural Disasters', Operational Guidelines on Human Rights and Natural Disasters, 9 June 2006, Section C3.1, p. 14.
13. Miloon Kothari, 'Basic Principles and Guidelines on Development-based Evictions and Displacement', E/CN.4/2006/41, United Nations Economic and Social Council, March 2006 p. 4.
14. Ibid.

VII

The World Bank and the Environment

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The World Bank and Environmental Policy Reform

MANJU MENON AND KANCHI KOHLI

Introduction

India's decision to go ahead with economic liberalisation in the early 1990s was followed with policy-level amendments in various sectors to complement the process of economic growth. Policies governing environmental protection, especially environment and social impact assessment procedures and the location of infrastructure/development projects, were required to be amended. This chapter attempts to explore the outcomes of the fifteen-year close collaboration between the World Bank and the Government of India (GoI) to review and redraft the environmental governance and decision-making framework for development/infrastructure projects.

The content of these environmental reforms, the understanding on which they are based and the processes by which these changes were effected in India mirror the World Bank's definition of what causes environmental degradation and its thinking on how these causes should be addressed. The entire environmental governance framework today rests on a mitigation-based 'polluter pays' model. This primarily accepts the environment and social impacts as given and works out solutions towards reducing or managing them, by compensating for these impacts in monetary terms. As a result, more and more wildlife habitats, agricultural lands, critical watersheds, and sensitive coastal and marine areas are being devastated by high-impact projects.

The World Bank's Environmental Policies—Reforms by Pressure

The period between the 1960s and the 1980s saw complaints from several nations, such as India and Indonesia, regarding the serious ecological, environmental and social impacts of projects funded by the World Bank. It was due to criticisms voiced by environmental advocates that the Bank adopted policies and procedures in the late 1980s and early 1990s to assess and mitigate adverse environmental impacts of individual projects. These reforms included Environment Impact Assessment (EIA)[1] procedures and public disclosure of these assessments in advance of project approval.[2] However, these assessments were found to be inadequately executed, so second-generation reforms were pushed through. These included bringing in an information disclosure policy and setting up of the Independent Inspection Panel to deal with complaints arising out of the World Bank's violation of its own principles.[3]

At the organisational level, the World Bank first set up a separate environmental unit in the 1980s, which later grew into the Vice-Presidency for Environmentally and Socially Sustainable Development (ESSD) in the 1990s. The Bank also recruited staff with environmental credentials and, with this, the portfolio of 'environment sector' projects grew.[4]

These were indeed progressive and important milestones in the environmental track record of the World Bank. However, several assessments, both in-house and external, have observed the inability of these policies to address the negative environmental consequences that continued to show up in Bank-funded projects, as policies were either not being implemented or were inadequate. Operational staff in the regions drove the World Bank's internal system to guard against environmental and social impacts of projects. They provided information to borrowers and ascertained whether policy requirements had been met. Coordination and oversight support were provided by the ESSD Network's Quality Assurance and Compliance Unit (QACU), which included specialists from environmental and social disciplines, and the Legal Vice-Presidency.[5]

The process involved screening of the project, determination of the Environmental Assessment (EA) category and review of the draft EA report so that its 'fundability' could be assessed.

In the summer of 1996, two studies by the Operations Evaluation Department (OED) of the World Bank revealed that the biggest problems undermining the effectiveness of the EAs was their tardy preparations during the project cycle, persistent efforts to speed up loan approval and reduction in the number of days available for project preparation, appraisal and public consultation.[6] Destructive projects were financed in several developing countries and technological solutions were used to compensate for their negative social and environmental impacts. 'The World Bank's mitigation-oriented, *do no harm* approach to the environment has had mixed results on its own terms and has failed to transform the institution into an agent of environmentally sustainable development.'[7]

Financial analysts take the final decision in the World Bank.[8] In 1994, the World Bank approved twenty-five projects that would have forcibly displaced 458,984 people—a number higher than that recorded in any other year in the Bank's history. Though continuing to offer new loans to projects requiring forced resettlement, the World

Bank can point to only a handful of projects in which oustees have not experienced a diminished standard of living. All the resettlement cases cited as successful have been carried out under authoritarian governments.[9]

The late 1990s saw the World Bank moving away from its environmental commitments. This was demonstrated by management decisions that led to the disempowerment of environment staff; reformatting and weakening of environmental policies; and reconsideration of their forest policy. Lending for environmentally destructive projects, particularly in the energy sector, continued.[10]

The World Bank and the GoI—Making Room to Legalise Environmental Destruction

In India, the World Bank's project lending suffered a major setback after problems with the Sardar Sarovar project in the late 1980s. Due to massive opposition to the Bank's funding, following local, national and international advocacy efforts, the World Bank set up the Morse Commission for an independent review of the project. The World Bank took on board several issues raised by the Narmada Bachao Andolan and subsequently withdrew funding support.[11]

This was only one of the many projects where the Bank's decision-making had been questioned. Several World Bank-funded projects, such as dams and mines, were opposed or 'delayed' due to environmental concerns. To overcome this problem, it became necessary to 'reform' environmental, sectoral policies and legal regimes governing environmental and social justice in borrower countries.[12] In the Indian context, the environmental reforms process was preceded by, or coupled with, the transfer of knowledge on the mitigation model, so that market-based environmental solutions came to occupy centre space in the discourse on environment protection. The environmental reforms brought in by the Government-Bank collaboration—through a series of funded projects—mirror the worst practices of the World Bank's environmental policy in letter and implementation.

ENVIRONMENT ACTION PLAN AND THE ENVIRONMENT MANAGEMENT CAPACITY BUILDING (EMCB) PROJECT

The foundation for environmental reforms was laid by the Bank-supported GoI project to develop the National Environment Action Plan (NEAP), 1993. The project was undertaken through the Ministry of Environment and Forests (MoEF). The five objectives of the NEAP were to:

- Assess the environment scenario in India against the backdrop of changing economic policies and programmes;
- Review the current policies and programmes that address the various environmental problems of the country;

- Identify the future direction and thrust of these policies and programmes to establish priorities and outline a strategy for the implementation of these priorities;
- Identify programmes and projects for a sustained flow of investment resources, for improved provisioning of environmental services and integration of environmental concerns into development projects;
- Identify projects related to organisational strengthening for better environmental management.

Following this, a more detailed project proposal made by the MoEF resulted in the Bank-funded EMCB project. This Technical Assistance (TA) project between the International Development Association (IDA)[13] and the MoEF was approved in 1998. A report by the Planning Commission of India states that the total cost of this TA project was Rs 221.32 crore (US$ 51.95 million) for the period 1997–2001.[14] According to the Project Agreement between GoI and IDA, the EMCB project was due to be completed by 31 December 2002. However, processes under the EMCB project, especially review and reform of the EIA notification, went on until December 2004. Details are provided in the sections that follow.

The EMCB project was intended to aid the implementation of the NEAP. A diverse range of project components,[15] including research, training and procedural amendments, were designed. The objectives of these were:

1. *Strengthening Environment Policy Planning* of the MoEF's Environmental Research Program (ERP), with provisions to train scientific personnel as well as strengthen teaching and research on environmental economics.
2. *Strengthening Environmental Administration* of the MoEF's regional offices, with regard to their role on Pollution Control Boards (PCBs) and the function of project monitoring for compliance.
3. *Strengthening Decentralisation of Environment Management* in particular environmental awareness campaigns at state levels and the establishment of an non-government organisations (NGOs) environmental action fund.
4. *Strengthening Implementation of Environmental Law* through training to improve the legal capacities of the MoEF and PCBs and an improvement in research and education opportunities in environment law.
5. *Strengthening Monitoring and Compliance in Specific High-Priority Environmental Problem Areas*, reviewing existing environmental and leasing policies, regulations and standards specifically with reference to the mining sector. This component also spoke about implementation of best practice demonstration projects for specific environmental mitigation measures. A proposal was also drafted to develop an appropriate coastal zone and marine area environmental regime through Integrated Coastal Marine Area Management Plans (ICMAMPs). The Bank also aimed at providing expert assistance for the same. Another project

was to develop Environmental Impact Assessment (EIA) guidelines specifically for the coasts.

EIA REFORMS 2001–6

In April 2001, an important change was introduced in the EMCB project objectives. A review of the 'Environment Assessment' (citation) was added to the Development Credit Agreement.[16] This had the following three focus areas:

1. Improving the screening, scoping, analysis of options and clearance processes for environmental assessments;
2. Improving the quality of EIA reporting through improved data, data centres, guidelines, forecasting, good practice dissemination and training;
3. Improving project compliance with the Environmental Management Plans (EMPs), as approved at the time of project clearance.

As direct fallout of this, the changes in the EIA notification are now the most critical output of the World Bank-GoI intervention in the environmental sector. With this tackled, little stands in the way of a rapid increase in investment and consumption of goods and services created from, and impacting, natural resources. In the 1990s, projects and investments were being increasingly scrutinised and questioned by citizens mainly due to the legal spaces offered within Environment and Forest Clearance procedures. With these procedures amended, even this space was to be made 'cosmetic' and incapable of any democratic decision-making.

The on-the-ground realities of new environmental policies were very different to the stated aims.

In 2003, the post of Secretary in the MoEF fell vacant. The person appointed to take over this seat was Dr Pradipto Ghosh. Dr Ghosh had proved his capabilities with the Asian Development Bank (1994–2001) as a senior environment advisor and an Additional Secretary. He also served as Economic Advisor in the Prime Minister's Office (PMO). A 'seasoned hand in economic affairs in Government of India',[17] Dr Ghosh had also served on the Govindarajan Committee that submitted a report on *Reforming Investment Approval and Implementation Procedures* in November 2002. The latter is particularly significant as the report recommended the simplification of procedures for grant approvals and a reduction in delays and grassroots opposition to projects. Further, the report also recommended simplification of the regulation of projects during their operational phase.[18] As the new Secretary of the MoEF, he was to take the environment reforms process, backed by the World Bank, to its conclusion.

Environmental Resource Management Report on EIA, 'Good Practices' and National Environment Engineering and Research Institute (NEERI) EIA Manuals

As part of the EMCB project, the MoEF had commissioned ERM India Pvt. Ltd. to carry out a review of procedures. Their project comprised four tasks. The outputs of three tasks included a review of Environmental Clearance (EC)–related regulations, a comparative review of EC processes in different countries and a review of India's existing EC process. These were discussed at meetings and 'critically assessed by an identified Stakeholder Reference Group'.[19] The consultants 'held extensive consultations with representatives of industry, central ministries and state governments'. In reality, consultation was limited.[20] Despite this, the content of the draft ERM report was lauded due to its identification of problems related to otherwise ignored areas, such as monitoring and compliance, and the recommendations it made to overcome these.[21]

The fourth task of the ERM project (the formation of a revised EC process) was done by the MoEF and not consultants. As per the ministry's own admission, the ERM report was 'reviewed intensively in the MoEF in the light of the recommendations of the Govindrajan Committee set up by the Central Government to reform regulatory approval procedures for investment in developmental activities. Accordingly, a revised environmental clearance process has been worked out for expediting the EC process with improved quality of environmental appraisal'.[22] The Govindarajan Committee recommendations had become the new benchmark that environment reforms had to comply with. Rajshekhar writes that: 'ERM was told to focus the draft only on addressing the flaws identified by the committee—the lengthy EC process, the multiple requests for more information by the committee members, the disproportionate amount of information they asked for … The main problem, the government was saying, was not about compliance or larger regional temporal studies or corruption or anything. It was the long timeframes (for clearances)'.[23] The new EIA notification of 2006 also kept to this brief.

As a curtain raiser to what was coming, in May 2004, the MoEF announced a set of good practices in environmental regulation. The Ministry said, 'While we are currently engaged in re-engineering these regulatory procedures, some "Good Practices" in regulatory procedures may be adopted even now to remedy clearly perceived problems with the regulatory procedures, as long as they are consistent with the existing systems, and do not involve any amendments to the relevant statutes or regulations.'[24] All it did was address the concern of delays in the process of grant of clearance to projects due to the 'additional information sought by MoEF staff, usually in a piecemeal and sequential manner; till they are satisfied, the application is not put up for the consideration of the Regulator/Expert Committee. However, when the matter is eventually considered by the Regulator/Expert Committee, it may seek further information, again piecemeal and sequentially' (occasionally, it may find the information furnished in response to queries of MoEF staff deficient, or unnecessary). The MoEF identified that delays affected investors, as their 'applications remain under consideration for years, and are not decided upon till long after all the other regulatory requirements have been met, and after financial closure in case of investment projects'. The MoEF did not, however, state that the dismal quality and often deliberately faulty information provided in the EIA reports may have been the main reason for a protracted clearance process. Also unrecognised was the fact that project investors' undertaking of (illegal) construction and allied activities before grant of project clearance was the main reason for the perception of the impact assessment procedures as 'delays'.

The MoEF also contracted the National Environment Engineering and Research Institute (NEERI)[25] to prepare sector-wise EIA manuals for mining, hydro projects, pharmaceutical industries, ports and harbours, thermal power stations and petrochemical projects in the year 2003. The drafts of these were prepared and some consultations took place. This time too, a few select civil society organisations were invited for consultations. The manuals were extremely detailed and laid out several parameters, based on which EIAs should be conducted. It is not known if the MoEF officially accepted these manuals.[26]

The NEERI manuals defined EIAs as

> the most commonly used environmental management tools to integrate environmental concerns effectively in the development process. The ultimate objective of an EIA is to identify, predict and evaluate any potential environmental, socio-economic, or human health impacts that may result from the planned activity before they occur, and to identify or develop suitable preventive or mitigation measures to eliminate or reduce the adverse impacts.

This may appear to be a reasonable definition to work with; however, problems have resulted because the process of 'evaluation' of impacts and level of 'acceptable impact' are now in the domain of technocrats and 'qualified experts', not citizens who are likely to suffer these impacts. Further, the definition does not look at the possibility of rejecting development or industrial projects if the impacts are found to be irreversible.

DRAFTING AND FINALISATION OF THE EIA NOTIFICATION 2006

On 29 and 30 November 2004, the MoEF organised meetings with select NGOs to discuss the proposed reforms to the EIA notification and the draft National Environmental Policy (NEP). The draft format for a new EC process, entitled 'Reforms to the Environment Clearance Process', was circulated to the limited number of civil society organisations present.[27] Attempts were made by representatives of people's movements to attend the meeting, but they were expelled from the MoEF premises. Instead, they gave a written submission indicating their rejection of such an exclusionary process.[28]

In addition, in June 2005, around sixty groups, in an open letter, presented their critique of the reforms. They demanded an open and transparent process of reviewing critical notifications, such as the EIA, which lay down procedures for environment clearance for development and industrial projects.[29] However, without any acknowledgment or response to this submission, the MoEF went ahead and issued a draft EIA notification on 15 September 2005. A copy was posted on the ministry's website for sixty days, inviting public comment. Consultations on the reforms and 2005 draft notification were held only with representatives of industry and central government agencies, as per the ministry's own submission.[30] A revised version of the draft notification was also shared with industry associations in mid-2006.[31] Specific instructions for this to be done were given by the Prime Minister's Office (PMO).[32] After a final round of presentations and revisions of the draft notification, based on inputs from industry associations, the Planning Commission and the PMO, the final notification was issued on 14 September 2006.

COASTAL REGULATION REFORMS—THE SECOND CASUALTY

As stated earlier, a proposal was made under the EMCB project to develop an appropriate coastal zone and marine area environmental regime through the ICMAMPs. The World Bank aimed at providing expert assistance for the same. The concept of Integrated Coastal Zone Management Plan (ICZMP) was introduced into the Coastal Regulation Zone (CRZ) notification of 1991 by an amendment in 2003. This was done alongside a study undertaken by Anna University, Tamil Nadu, to develop an ICZMP for the Andaman Islands. The CRZ has gone through nineteen such amendments since it was first promulgated, mostly to make allowances for development and infrastructure projects along India's coasts.[33]

In July 2004, the MoEF set up an expert committee headed by Prof. M. S. Swaminathan to carry out a comprehensive review of the CRZ notification. The mission of this committee was to enable the MoEF to base its coastal regulations on strong scientific principles and to devise regulations that would meet the urgent requirement for coastal conservation and development/livelihood needs. The Swaminathan Committee submitted its report in February 2005, just after the Indian Ocean tsunami.[34]

While the committee report was well placed in terms of understanding the problems of the coast, the institutional and structural solutions that the Swaminathan Committee report offered left much to be desired and opposed.[35] The Committee report included as an annexure, a draft Coastal Zone Management notification. The draft was a vague and incomplete document that was stridently opposed by fishing groups and coastal communities, as it compromised their rights to coastal space. A subsequent draft found its way into the hands of environmental groups through unofficial sources. This draft reads like a plan to open up the sensitive coastline to projects such as oil pipelines and tourist resorts.[36] It encourages tough engineering options such as the construction of sea-walls in the name of protecting coastal communities, even though the erosion impacts of these structural interventions have been demonstrated time and again. The CRZ notification was the only legislation that recognised fishing settlements and permitted certain rights and protection for the same. The proposed amendment marks a departure from this by not making any mention of this aspect.[37]

The MoEF had expected to finalise the CRZ reforms by March 2006.[38] But this did not materialise. Nevertheless, the World Bank is already considering a loan of Rs 100 crore (US$ 23.78 million) to the MoEF to implement the recommendations of the Swaminathan report and the draft Coastal Management Zone (CMZ).[39] The MoEF seems oblivious to the loud protests that have erupted in all coastal states since 2006 or the fact that the implementation of the Swaminathan recommendations will be a violation of existing legislation, until the CRZ notification is amended through due procedure.

FURTHERING THE WORLD BANK-MOEF LINK

In April 2007, the World Bank released the report *Strengthening Institutions for Sustainable Growth: Country Environmental Analysis for India*. The foreword of the report, written by the then Secretary, Ministry of Environment and Forests, Dr Pradipto Ghosh, stated: 'This report by the World Bank is a contribution to the process of detailing and implementing this strategic vision of the Government of India. It is the product of a "close collaboration between the MoEF and the World Bank", with active participation of the Ministry of Power, the Ministry of Industry and the Ministry of Shipping, Road Transport and Highways.'[40]

A consultative workshop to discuss the findings and recommendations in the draft report was organised by the World Bank on 7 July 2006. It witnessed critical comments about the Bank's reliance on the Kuznets' curve to sequentially deal with poverty first and environment later.[41] The inverse relationship between income inequality and economic growth and the 'trickle down' effect eventually leading to equalising of income is extended to address environmental challenges.

> It was claimed that at the beginning of economic development, little weight is given to environmental concerns, but after basic physical needs are met and GDP grows, interest in a clean environment rises, reversing the trend. This curve has been used systematically by the Bank to legitimise its GNP-led environment mitigation model, even though it has been severely attacked by other analysts, and abandoned by Kuznets himself!'[42]

When the Country Environment Assistance (CEA) report was finalised, references to the Kuznets' curve were deleted, but the plan of action remained unaltered.

The report states that its objective is to help strengthen the implementation framework for India's NEP, 2006, to meet the challenges of the rapidly growing Indian economy. The ideology popularised by the World Bank and other international financial institutions (IFIs) had already been integrated into the NEP of 2006. Like the aforementioned Bank reports, the NEP, which was first drafted by the Energy and

Resources Institute (TERI), fails to address environmental degradation and instead ensures that environmental concerns do not hamper economic growth.

USE OF BORROWER SYSTEMS

Since the late 1990s, the World Bank's safeguard policies have come under pressure for supposedly being too cumbersome and for making Bank projects too expensive. The country systems approach is one element of a broad policy simplification process underway at the World Bank.

Following a period of consultation and public comment, on 18 March 2005, Executive Directors approved the launch of a pilot programme to explore using a country's own environmental and social safeguard systems (that is, its national, sub-national or sectoral implementing institutions and applicable laws, regulations, rules and procedures), where they are assessed as being equivalent to the Bank's systems, in Bank-supported operations.[43] An analysis by William Lockhart states:

> Under this process called "Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects", the World Bank planned to rely primarily on the environmental assessments and other regulatory arrangements of the borrower country in environmental decision-making of projects rather than its own safeguard policies if the Bank determines that those policies are equivalent to its own.[44]

In order to use the safeguard systems of the borrower country, the World Bank is to establish 'equivalence' with its own systems. However, no explanation is offered on the standard or sources that will be relied on in assessing 'equivalence'.[45] In several instances, the World Bank's proposal would have the borrowing country itself assess the equivalence of its safeguard systems with the World Bank standards.[46]

Following the pilot project, there is a strong possibility that this approach may eventually replace the World Bank's policies for much of its project lending.[47] If this process were to be formally adopted by the World Bank, all accountability for environmental and social impacts of projects would be squarely placed on the domestic decision-making process rather than the World Bank. This, in effect, makes all borrower countries vulnerable as they were in the era when the Bank did not have safeguards against environment and social impacts. In the context of India, domestic protection has been weakened due to the fifteen-year-long World Bank-MoEF intervention in environmental policy reform. Changes brought about to the EIA and CRZ procedures have significantly reduced the regulatory potential of these laws. If these procedures are used to decide on Bank-funded projects without additional World Bank safeguards, a significant level of assessment will be lost out on in the decision-making process.

New EIA and CRZ: Mirroring the Bank's Policies

The changes to the EIA notification, the proposed legislation to replace the CRZ notification and the first NEP that the country received in 2006 are clearly inspired by the principles of the World Bank. The 'close collaboration between the MoEF and the World Bank', which Dr Pradipto Ghosh mentions in the foreword to the CEA report,[48] has ensured that the problems identified, arguments made and mechanisms adopted to address environmental problems mirror the World Bank's ideology and working principles, even though these have come under repeated criticism for over two decades.

ASSESSMENTS ARE DOWNSTREAM IN THE DECISION-MAKING PROCESS

The OED's 1996 study had concluded that most full EAs (required for so-called 'Category A' projects) 'generate massive documents that are of little use in project design and during implementation'. Most EAs were undertaken too late in the project cycle, so that 'very few EAs actually influence project design'. As a result, public consultation and information disclosure, also required by the World Bank's public information policy, was weak; when it occurred, it often happened too late in the project cycle to be effective. Moreover, 'most Category A project EAs have failed to give serious consideration to alternative designs and technologies as called for in the [Operational] Directive, and those that do, often explore weak, superficial or easily dismissed options'.[49]

The ills of the Bank's EAs have been carried over into the new EIA notification, 2006. The new process outlined in the notification failed to bring Impact Assessment studies upstream in the environmental decision-making process. The criticism that the process is incapable of radically influencing issues such as project location, design and technology because of its position in the process of decision-making, has been consistently made for two decades now. More importantly, after so many years of learning and repeated petitioning, decisions are still not based on a comprehensive options assessment process that prioritises demand-side management.[50] Even if these studies are undertaken in a few cases, these are done after granting clearance to the project in question and also not used to determine the clearance of subsequent projects. For instance, the environment clearance of Teesta V, a hydroelectric project in Sikkim, clearly indicated that a carrying-capacity study of the Teesta river basin should be carried out before considering the clearance of more such projects in the state. This condition was not adhered to.[51]

The greatest pitfall of such a situation is the near impossibility of rejection of grant of clearance to a project on environmental grounds. At best, only alterations of the type that can be easily undertaken can be recommended. This is done through measures such as seeking additional assessments to be carried out by project proponents, to develop mitigation measures and bringing in specialised technologies for reducing pollution. It needs to be borne in mind that mitigation is the foremost form of safeguard mechanism that the World Bank has promoted.

DETERMINATION OF COSTS AND BENEFITS

The NEP, EIA and CRZ now rely heavily on environmental economics to arrive at appropriate decision-making. Clearance procedures are based on establishing quantitative values for 'environmental services', so that these 'costs' that may accrue from the loss of services may be internalised into projects. Such a system of determining the extent of environmental impacts draws attention to ethical questions such as: Who has the power to give certain values to these services? Are they only for the present or do they account for the importance of these services in future years?

The observation of A. K. Roy from Hazards Centre, New Delhi, on the basis of the World Bank's scoping and EA procedures, rings true even for our reformed EC procedures. He says, 'The EIAs deliberately do not contain a "No Project" scenario to compare with an assessment of impacts under a "Go Project" scenario, because it has been assumed already that the project is financially beneficial.'[52]

FROM REGULATION TO MANAGEMENT

Rather than focusing on protective regimes, which ensure that environmentally and socially destructive projects are avoided altogether, the spate of reforms has brought in an unprecedented shift to less regulation and more management. This opens the door to projects even with substantial impacts as long as project proponents state that impacts can be 'managed'. The reforms have thus significantly reduced, or altogether removed, the protection that was available from several destructive development activities.

The proposed CMZ notification relies heavily on ICZMPs to draft activities along the coast and, since 1991, has liberally cut down the number of activities that used to be restricted along the coast. CRZ I areas[53] under the existing CRZ notification were initially defined as areas where no activities other than those requiring foreshore facilities would be permitted. However, subsequently, several dilutions were introduced to change this. The proposed CMZ notification builds on this regressive trend and establishes that various activities will be allowed in these sensitive ecosystems as long as they are recorded in the ICZMP.[54]

Management or mitigation solutions themselves have the potential to cause serious ecological and social ramifications. In the clearance of hydel projects in the north-east of India, large areas of shifting cultivation lands, which are traditionally accessed, will be taken over by the state.[55] Further, CMZ II areas are being given the option of constructing seawalls along the coast, even though these have proven to have erosion impacts in adjoining coastal areas. Following the creation of seawalls for these areas, they will be subject to fewer environment protection regulations.[56]

UNACCEPTABLE PARTNERSHIPS

Public-private partnerships advocated by the World Bank have also resulted in government agencies and international NGOs forming alliances with corporations that derive profits by undertaking environmentally devastating projects. These are done to create resources/funds for environment conservation in general or for mitigating specific project impacts. The World Bank has a programme on Public Private Partnership in Infrastructure, with the mandate of fighting poverty and achieving sustainable development. The World Bank promotes private sector funding mainly through its International Finance Corporation (IFC), with an explicit role of leveraging financing from the private sector for international development projects. The 192-MW Allain Duhangan Hydroelectric Project in Himachal Pradesh is a clear instance where, despite severe impacts and concerns, the IFC went ahead with funding for the Bhilwara group.[57] The construction of the project has led to massive illegal tree felling and environmental degradation. The state government has ordered for the work to be halted primarily on environmental grounds. They have also levied a fine of Rs 5.95 crore (US$ 1.45 million) on the project proponent for violations.[58]

As highlighted in the section on 'The World Bank and the GoI—Making Room to Legalise Environmental Destruction', the consultations for the EIA reforms that took place in India included representatives of industry to such a large extent that these could be termed the GoI's partnership with industry associations, to arrive at regulations that were most suited to them.[59] The sector that profited the most from these 'stakeholder' consultations is the construction sector; there will only be a cosmetic application of the EIA procedures on their projects in future. Similarly, the consultations that took place for the CMZ reforms under the Swaminathan Committee were held with representatives of sectors such as tourism, to 'negotiate' their demands for watering down regulations.[60] These are examples of blatant regulatory capture: legal, but immoral.

DISCLOSURE OF INFORMATION AND PUBLIC PARTICIPATION

According to the World Bank's Country Environment Analysis, 'public participation cannot totally eliminate conflict over a proposed project. However, it can reduce conflict by bringing all the public concerns and suggestions to the surface'.[61] This statement gives an insight into the understanding that the World Bank has of the purpose of public participation. The World Bank assumes that conflicts exist over proposed projects rather than development objectives and do not recognise their reduction as a positive outcome.

In the initial years of the EIA notification of 1994, the public hearing clause held much promise, as it was a formal space where citizens could rightfully participate in environmental decision-making. This euphoria quickly vanished with stories of how power and social dynamics were influencing public hearings.[62] Today, these public hearings stand out as isolated opportunities for citizens to express their views. As a result, they are filled with tension. Public hearings in recent years have revealed a nexus between the government law and order machinery and large private industrial houses and public sector companies that is activated to violently suppress any opposition to their projects.

The aforementioned is not to make a case against public hearings, but to indicate that public participation, which is a sign of democratic decision-making at work, when reduced to a single point in the decision-making process, as it is today, results in negative impacts rather than positive.

The World Bank implements disclosure of information and public participation clauses just as poorly. The meetings called by the World Bank to discuss their Country Environment Assessment (CEA) documents are an example of this. Roy Laifungbam, Executive Director, CORE, an organisation involved in environmental and social advocacy, on receiving an invitation from the World Bank for the consultation on the CEA, wrote to World Bank officials stating that[63] 'your invitation dated June 21, 2006 only reached my office on June 26, 2006 while I was out of station'. This consultation was to take place on 7 July 2006. And this was after the meeting had been postponed twice. On both the earlier occasions too, invitees were not contacted more than two weeks in advance. Bulky documents and reports on which the discussions are to be based are made available only on request in advance. Else, they are distributed during the consultation. Disclosure of information is mandatory as per World Bank principles. However, policy reforms are typically designed to have very little space for timely disclosure of information and public participation.

RULE OF THE 'EXPERTS'

Along with a mitigation model to deal with environmental challenges, the MoEF has also adopted a process that has an overbearing role for consultants and 'experts'. In a critique of the process of the NEP formulation, Upadhyay wrote, 'typically, these conferences rope in experts and institutions accepted as such by the governments in the past and at best some enlightened counter-experts (those not accepted as 'experts' and who can provide a counter in the same language!) in NGOs and advocacy groups and no one else.' 'The big question is that on a subject like environment, even defined by law as including the "interrelationship of man with air water and land..." (much to do with local information base and values), is there any role that the common man can play in shaping a policy...?'[64]

In 2004, in tune with its good practices, the MoEF drew up their definition for an 'expert'. This understanding of expertise did not have space for those without formal training in the physical sciences or technology. Read along with the changes made to the clause on who can participate in a public hearing as per the new EIA notification, this is meant to keep out any informed and critical voice in the decision-making process.[65]

Redirecting Reforms: the Need of the Hour

The environmental reforms for the facilitation of speedy clearances of infrastructure and development projects have been achieved through a series of undemocratic steps.

Impacts of these policies have been felt on the ground for some time and today they are amplified. More than ever before, today, the establishment of development projects is marked by violence. Despite detailed critiques regarding the non-viability of proposed projects, through thorough research, experts grant clearance to them in the name of development . Large numbers of forests, wetlands and coastal areas are being opened up for this development. The following comment by Lele and Menon on the National Environment Policy rings true for the entire reforms process: 'instead of mainstreaming environmental concerns into all development activities and sectors *(its stated goal)*, it 'mainstreams' the current notion of unbridled development into even the limited environmental regulation we have.'[66]

Environmental and social movements and activists are now faced with a huge challenge to revert these processes and establish the primacy of an ethical development process. The impacts of environmental degradation on increasing loss of livelihoods and poverty will need to be reinstated. The precautionary principle, inter- and intra-generational equity need to be placed at the core of Indian development and environment policy. What does this mean? This will require immense mobilisation at two levels: at the international level to bring pressure on the World Bank and other IFIs to reinstate environment safeguard policies and mechanisms of the highest order; and, more importantly, the mobilisation of citizens' elected representatives, trade unions, farmer and fishing communities, consumer groups, and tribal, rural and urban communities that will result in redefining development.

Disclaimer: The chapter only deals with the role of the World Bank with regard to reforms to the environment clearance process (under the EIA and CRZ notifications) and the NEP, which provides the framework for these reforms. This chapter does not include the World Bank's role in forestry or wildlife projects in India, which has also been substantial.

Notes

1. A process that assesses the possible impact, positive or negative, that a proposed project may have on the natural environment.
2. F. Seymour and N. Dubash, 'World Bank's Environmental Reforms Agenda', *Focus*, Vol. 4 1999.
3. Ibid.
4. Ibid.
5. World Bank, Operational and Safeguard Policies, http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/0,,contentMDK:20124313~menuPK:549278~pagePK:148956~piPK:216618~theSitePK:244381,00.html, accessed 25 July 2007.
6. B. Rich, 'Still Waiting—World Bank Fails to Alleviate Poverty', *The Ecologist*, September 2000.
7. Seymour and Dubash, 'World Bank's Environmental Reforms Agenda'.
8. A. K. Roy, personal communication. A. K. Roy is from the Hazards Centre, New Delhi.

9. 50 Years Is Enough: US Network for Global Economic Justice is a coalition of over 200 US grassroots, women's solidarity, faith-based, policy, social- and economic-justice, youth, labour and development organisations dedicated to the profound transformation of the World Bank and the IMF. See http://www.50years.org/factsheets/environment.html, accessed 25 July 2007.
10. Seymour and Dubash, 'World Bank's Environmental Reforms Agenda'.
11. Friends of River Narmada, 'The Sardar Sarovar Dam: A Brief Introduction', http://www.narmada.org/sardarsarovar.html, accessed 25 July 2007.
12. Legal and judicial reforms are one of the six main themes of the World Bank's governance work. Legal reform affects all the sectors that the World Bank funds and is involved in. It is an arena in which the Group has been involved through lending and non-lending activities. Since 1986, the World Bank has worked closely with governments in eighty-five countries and in fifty different sectors, including environment, towards bringing in these reforms. Legal Vice Presidency, 'Initiatives in Legal and Judicial Reform', Washington DC: The World Bank, 2004; V. Harris, 'Consolidating Ideology in Law? Legal and Judicial Reform Programmes at the World Bank', 2007, http://www.brettonwoodsproject.org/art-554671, accessed 25 July 2007.
13. The IDA lends money (known as credits) on concessional terms. This means that IDA credits have no interest charge and repayments are stretched over thirty-five to forty years, including a ten-year grace period. The IDA complements the World Bank's other lending arm, the International Bank for Reconstruction and Development (IBRD), which serves middle-income countries with capital investment and advisory services. There is no interest charge, but credits do carry a small service charge, currently 0.75 per cent on funds paid out. However, most loans of the IDA come with attendant conditionalities that the borrowers are obliged to follow.
14. Planning Commission, Annual Plan, Forests and Environment, Government of India, 2004–5, http://www.planningcommission.nic.in/plans/annualplan/ap0405pdf/ap0405_ch11.pdf, accessed 25 July 2007.
15. The Madras School of Economics (MSE) conducted an Environmental Economics project. The expert committee for this included representatives from MSE, the Institute of Economic Growth (IEG) and Indira Gandhi Development Research Institute (IGDRI) and a representative of the Confederation of Indian Industries (CII), K. P. Nyati. It also had on it T. L. Shankar from Administrative Staff College of India (ASCI), which is a noted think-tank on business, industry and the economy. Madras School of Economics, Environmental Economics Node, Environmental Economics Programme, http://envis.mse.ac.in/envistamil/emcab/brochure.htm; http://www.asci.org.in/, accessed 25 July 2007.
16. As per procedure, this agreement was signed between the IDA, the Department of Economic Affairs (Rita Acharya), and P .K. Ghosh, Principal Secretary, Forest and Environment, Government of Gujarat.
17. T. R. Ramachandran, 'PM Determined to Retain Brajesh Mishra', *The Tribune*, 25 May 2001.
18. Government of India, Report on *Reforming Investment Approval and Implementation Procedure* Part II New Delhi: Government of India, 2003.
19. Ministry of Environment and Forests, Draft Report on Formulation of Revised Environmental Clearance Process—Phased Implementation Plan (Environment Management Capacity Building Project—EIA Component) Government of India, http://envfor.nic.in/divisions/iass/emcb/reportforec.htm, accessed 25 July 2007.

20. In June 2003, the Environment Support Group (ESG), a Bangalore-based NGO, wrote to Udayan Banerjee, one of the MoEF officials overseeing the reform process. MoEF had sought comments from a few select NGOs such as ESG on the draft report. Even though a request was made to carry out an open and transparent review process, the MoEF did not pay heed to it. In 2003, ERM conducted a consultation in Bangalore, where only two NGOs were invited: one from Bangalore and one from Delhi. The English version of the report was uploaded on the MoEF website, seeking comments much after the consultations had taken place.
21. W. J. Lockhart, 'Environmental Impact Assessment and Project Clearances in India: Deficiencies in Regulation and Practices' Unpublished; M. Rajshekhar, 'A Process of Confrontation' Unpublished.
22. MoEF, 'Reforms in Grant of Environmental Clearances', undated. See K. Kohli, and 'Menon, *Eleven Years of Environment Impact Assessment Notification, 1994: A Status Report*, New Delhi: Kalpavriksh Just Environment Trust, Environment Justice Initiative, 2005.
23. Rajshekhar, 'A Process of Confrontation'.
24. Ministry of Environment and Forests, 'Good Practices in Environmental Regulation', 2004, http://envfor.nic.in/mef/goodpractices.htm, accessed 25 July 2007.
25. Established in 1958 and located in Nagpur, this institute is a constituent laboratory of Counsel for Scientific and Industrial Research (CSIR). EIAs for a number of environmentally and socially destructive projects have been done and given a clean chit by NEERI. The most widely known examples of these are Karcham Wangtoo Hydro Electric project, Himachal Pradesh; Sethusamudram Ship Canal project; Common Hazardous Waste Disposal Facility at SIPCOT, Gummidipoondi, Tiruvallur District, Tamil Nadu, and so on. See (Letter dated 19 April 2007 to Dr Pradipto Ghosh, Secretary, MoEF, regarding accreditation of EIA Consultants through the Quality Council of India initiative. This letter was signed by fifty organisations and individuals.)
26. Kalpavrish, 'Report of the Public Hearing on Stocktaking of Environmental Impact Assessment Notification and Environmental Clearance Process', Constitution Club, 13 November 2005, http://www.kalpavriksh.org/campaigns/EIA_Public_Hearing_report__Seema_Bhatt.doc, accessed 25 July 2007.
27. M. Menon and K. Kohli, 'Environmental Decision Making: Whose Agenda?', *Economic and Political Weekly*, Vol. XLII, No. 26, 30 June 2007, pp 2490–94; K. Kohli and M. Menon, 'Eleven Years of Environment Impact Assessment Notification, Mumbai, 1994: A Status Report', Kalpavriksh, Just Environment Trust, Environment Justice Initiative, 2005.
28. Press Release, 'National Environment Policy: Rejected. NGOs Walk Out of "Official Consultation" in Protest', issued by Gene Campaign, Environment Support Group, Toxics Link, Kalpavriksh and Paryavaran Suraksha Samiti, dated 1 December 2004.
29. Open Letter, 'Stop the Regressive Changes to the Environment Clearance Process', to the Prime Minister of India, 29 June 2005.
30. Response received to Right to Information application filed by Kanchi Kohli, Kalpavriksh, on 8 June 2006 with the Ministry of Environment and Forests. Response was received on 20 June 2006.
31. Open Letter, 'EIA Notification 2006: Against the Constitution, It's People and the Environment. Notification Violates Constitutional Provisions and Environment Protection Act, 1986', to the Prime Minister of India, 8 November 2006; Menon and Kohli, 'Environmental Decision Making'.

32. Response received to Right to Information application filed on 6 September 2006 with the MoEF.
33. A. Sridhar, R. Arthur, D. Goenka, B. Jairaj, T. Mohan, S. Rodriguez and K. Shanker, *Review of the Swaminathan Committee Report on the CRZ Notification* New Delhi: UNDP, 2006; M. Menon, S. Rodriguez and A. Sridhar, *Coastal Zone Management Notification Better or Bitter Fare? Produced for the Post-Tsunami Environment Initiative Project*, Bangalore: ATREE, 2007.
34. A. Sridhar et al., *Review of the Swaminathan Committee Report on the CRZ Notification*.
35. Ibid.; Menon et al., *Coastal Zone Management Notification Better or Bitter Fare?*.
36. Menon et al., *Coastal Zone Management Notification Better or Bitter Fare?*.
37. Ibid.
38. MoEF, 'Brief for 6th Social Editors Conference on Social Sector', organised by Press Information Bureau on 18 January 2006, press release dated 18 January 2006.
39. N. Sethi, 'Government Plans to Ease Curbs on Activity along Coast', *The Times of India*, 24 May 2007; World Bank, 'Projects and Operations', http://web.worldbank.org/external/projects/main?pagePK=217672&piPK=95916&theSitePK=40941&menuPK=223661&category=regcountries&regioncode=4&countrycode=IN&pagenumber=56&pagesize=10&sortby=BOARDSORTDATE&sortorder=DESC, accessed 25 July 2007.
40. World Bank, *Strengthening Institutions for Sustainable Growth: Country Environmental Analysis for India,* New Delhi: South Asia Environment and Social Development Unit, 2007.
41. World Bank, 'Strengthening Institutions for Sustainable Growth: Country Environmental Analysis', NGO Consultation Workshop, Executive Summary of the Proceedings, New Delhi, 7 July 2006.
42. A. K. Roy, personal communication.
43. Bank Information Center, 'Country Systems Approach to World Bank Social and Environmental Safeguards: Concerns and Challenges', http://www.bicusa.org/en/Article.1775.aspx, accessed 25 July 2007.
44. W. J. Lockhart, 'Discussion of World Bank "Country Strategy" as it Affects the India EIA Program', unpublished.
45. Ibid.
46. Bank Information Center, 'Country Systems Approach to World Bank Social and Environmental Safeguards'.
47. Ibid.
48. World Bank, 'Strengthening Institutions for Sustainable Growth.'
49. Rich, 'Still Waiting'.
50. Demand-side management refers to the planning, implementation and evaluation of programmes to influence the amount or timing of energy and material usage by consumers. Kohli and Menon, 'Eleven Years of Environment Impact Assessment Notification, 1994: A Status Report'.
51. M. Menon, 'Testing Times for Teesta', *The Hindu Sunday Magazine*, 6 June 2004.
52. A. K. Roy, personal communication.
53. The most ecologically sensitive areas on the coast; the inter-tidal zone and areas, which have coral reefs, turtle nesting sites, mangroves or other sensitive habitats.
54. Menon et al., *Coastal Zone Management Notification Better or Bitter Fare?*.

55. M. Menon and N. Vagholikar, *Shifting Cultivation and Dams*, Kalpavriksh Fact Sheet Series, Forthcoming.
56. Menon et al., *Coastal Zone Management Notification Better or Bitter Fare?*
57. India Together, 'Himachal Power Project under Scrutiny', www.indiatogether.org, accessed 25 July 2007; K. Kohli, N. Pathak and A. Kothari, 'Of a Village and Its River', *Hindustan Times*, 30 July 2004.
58. 'Himachal Halts Hydel Project', *The Indian Express*, 5 September 2007.
59. K. Kohli and M. Menon, 'Barking up the Wrong Tree', *Hindustan Times*, 1 August 2006.
60. Anonymous, Minutes of the meetings of the Expert Committee chaired by Prof. M.S. Swaminathan on Coastal Regulation Zone Notification, 1991, held in the MoEF. Ministry of Environment and Forests, New Delhi, 2004.
61. World Bank, *Strengthening Institutions for Sustainable Growth*.
62. Kalpavriksh, Report of the Public Hearing on Stocktaking of Environmental Impact Assessment Notification and Environmental Clearance Process'.
63. His communication was copied to several colleagues and partner groups by e-mail, dated 14 July 2006.
64. V. Upadhyay, 'In the Closed Kingdoms of Experts—On a Subject Like Environment, Is There Any Role for the Common Man in Shaping Policy?' *The Indian Express*, 27 November 2004.
65. Ministry of Environment and Forests, 'Guidelines for Selection of Non-officials to Various Statutory, Judicial and Other Committees and Other Bodies in MOEF', http://envfor.nic.in:80/rti/order-guidelines.pdf, accessed 25 July 2007.
66. S. Lele and A. Menon, 'Draft NEP: A Flawed Vision', *Seminar*, March 2005, pp. 55–66.

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Poisoned Future

NITYANAND JAYARAMAN AND MADHUMITA DUTTA

In 1991, the World Bank's chief economist Lawrence Summers distributed what was to become an infamous memo. The memo read, 'Just between you and me, shouldn't the World Bank be encouraging more migration of dirty technology and dirty industries to the less developed countries?... I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that.'[1] Now this is not a very uncommon thought and it is this that governs our development planning, in India and other countries as well. As a result, some of the dirtiest facilities, the most hazardous industries, landfills and dump yards are usually located in areas where marginalised communities live. These communities bear a disproportionate cost, both with respect to environmental problems and also with what is touted as environmental solutions. True to such philosophy and economic logic, countries like India saw a spiralling rise in the burden of toxic chemicals, both in production processes and waste dumping from the Western countries.

Between 1990 and 2000, petrochemical production (the product of a highly polluting industrial sector), grew by about 33.8 per cent in India; plastic production in the country grew by about 20.8 per cent during the same period. The World Bank might not have had a direct role in fuelling this growth, but they have had a direct role in directing India towards certain kinds of economies, where these things are prioritised more than other basic necessities. In 2002, the World Bank published a *Toxics and Poverty Report*. The report talks about a steady shift in chemical industries and chemical production from the Organisation of Economic Co-operation and Development (OECD) countries to non-OECD countries in the last forty years.[2] The report also states that with globalisation of trade, this South-bound production shift often involved the most hazardous chemicals. In their chapter in this volume, Manju Menon and Kanchi Kohli have described the re-engineering of the Indian Environmental Policy and Environmental Impact Assessment process. The chapter showed how the World Bank has played a very significant role in limiting participation, in facilitating or expediting clearances of all projects, including polluting ones. This has had far reaching implications on the fate of destructive polluting projects and the range of possible action for affected communities. It also has far-reaching effects on the lives and livelihoods of farmers and fisher folk who depend upon natural resources and the integrity of the ecosystem. More importantly, it has an irreversible impact on food and water security because farmlands and water systems and water resources are contaminated.

World Bank consultants have exacerbated the situation. The Bank consultants and officials come to an area positioned as experts when in reality they know very little about the ground situation. In an arbitrary manner, the Bank decides to try out something, only to realise ten years later that its recommendations were completely unsatisfactory. In a perpetual cycle, they try to solve the problem but in doing so create an even more unsatisfactory solution. The World Bank does not, per se, fund polluting projects; they fund projects under different sectors that have a direct implication on the pollution load of the country. This submission will focus primarily on three sectors: agriculture, health and large industry.

World Bank Influences Pesticide and Fertiliser Production

The World Bank promotes export-oriented industrial agriculture. In India, the World Bank along with the US Agency for International Development (USAID) in the 1960s promoted the 'Green Revolution' and import of fertilisers, seeds, pesticides and farm machinery. The Bank has been funding seed corporations and the expansion of fertiliser and pesticide plants through its different lending arms in India. This submission will not go into the critique of the Green Revolution as it has already been covered extensively in the earlier chapters but will focus on the aspect of pollution—the contamination caused by the Green Revolution and how the Bank has directly and indirectly supported the growth of pollution through its agricultural lending.

World Bank policy and lending support global agrochemical industries, many of who have business interests in India and actively manufacture and market pesticides.[3] In 1998 the World Bank adopted a binding policy on pest management, requiring that it assist borrower countries in reducing farmers' reliance on chemical pesticides and encourages the adoption of farmer-driven, ecologically-based integrated pest management systems (IPM).[4] Yet, in the five years since the policy was formally adopted, the Bank has been unable to translate its written policy into concrete and appropriate action on the ground.

The facts are very stark. There have been twelve fertiliser projects funded by the public sector lending arms of the World Bank Group in India. Close to US$ 1.9 billion have been pumped into the setting up of fertiliser industries in the country.[5] In its entire lifecycle, fertiliser production causes damage to the environment—the production facilities are toxic hotspots, and when used, it adversely impacts the soil and ecosystem. Fertilisers generate a large quantity of phospho-gypsum,[6] leading to huge dumps of gypsum. For example, one sees large mountains of gypsum in Oswal Petrochemicals in Paradeep, Orissa; the same in Cochin, Kerala, in the surroundings of Fertilisers and Chemicals Travancore Ltd.; and Rashtriya Chemicals in Mumbai, Maharashtra.

A Tamil Nadu government organisation made an assessment of a World Bank project called the Tamil Nadu Irrigated Agricultural Modernization and Water Bodies Restoration and Management Project.[7] In the assessment report was the following comment, 'Even though no pesticides or fertilizers are expected to be financed directly by the project, there may be induced impacts of increased fertilizers and pesticides use due to improved agricultural intensification and diversification.' It is estimated that pesticide use went up by close to 50 per cent after the introduction of agricultural modernisation projects in Tamil Nadu.

Pesticides, even in the hands of experts, are dangerous. In countries like the United States, scientific studies have revealed that an average American carries more than 200 synthetic chemicals in his/her body.[8] Of these, many are chemical pesticides that have been banned for years, and other pesticides that are currently being promoted as alternatives.[9] Despite knowing this, the Bank is promoting the withdrawal of agricultural credit and agricultural extension services which could have been aggressively used to move farmers from the toxic treadmill to a more sustainable and safer form of agriculture. In Andhra Pradesh, through the Andhra Pradesh Economic Restructuring Project (APRP),[10] agricultural extension centres dropped to 0.02 per cent of gross domestic product (GDP), when the national average is about 0.15 per cent for India.[11] With the withdrawal of agricultural extension centres, farmers have no neutral body to advise them on how much pesticide and how much fertiliser should be used. As a result, farmers are left to depend on pesticide companies and pesticide dealers, both of whom have vested interests in increasing pesticide sales. This has resulted in an overuse of pesticides and a concomitant increase in pesticide residues in the ecosystem and the bodies of communities living in and around these areas.

Using Malaria Control as a Front to Promote the Use of Toxic Insecticides

A similar experience emerged out of a review of the Bank's health sector lending for malaria control. Despite lofty statements about a move towards non-reliance on pesticides for malaria vector control, the Bank's projects rely heavily on pesticide-based interventions, diverting 51 per cent of the total project cost ($204 million) to purchase of pesticides from a handful of multinationals including BASF, Bayer and Zeneca.

There is a World Bank-funded project, called the National Vector Borne Disease Control Project, which the International Development Association funded between 1997 and 2005, to the tune of US$ 119.2 million. In the name of malaria control, the World Bank had actually promoted the use of toxic pesticides, despite the availability of non-toxic alternatives. This research is based on secondary information collected from interactions with the Bank staff in New Delhi, publicly available World Bank documents, malaria experts in the country, including government officials who had implemented these projects. This information was also obtained from responses to the applications under the Right to Information Act from the National Vector Borne Disease Control Programme, which is the central nodal agency for the prevention and control of vector borne diseases (that is, malaria, dengue, lymphatic filariasis, kala-azar and Japanese encephalitis). It is one of the Technical Departments of Directorate General of Health Services, Government of India.

Initially, when reading the World Bank documents, one gets perplexed because the documents are so craftily drafted. Nothing seems wrong; it reads like what activists would have said. Only a between-the-lines reading will expose the real objectives.

Malaria remains one of the biggest killers in the country. According to the National Vector Borne Disease Control Programme, 2 million malaria-positive cases in the country with 1,000 deaths a year are reported. The Indian Council of Medical Research claims this is a gross underestimate and World Health Organization (WHO) says there are 100 million cases of malaria in South-East Asia, with 70 per cent in India, out of which 45 per cent is of the fatal strain called the Falciparum.

Since the 1950s, India has addressed malaria through its malaria control programme which was heavily reliant on the spraying of DDT (dichloro diphenyl trichloroethane). For a brief period, malaria cases went down and peaked again thereafter. This reversal was attributed to resistance of the parasite to DDT and the Indian government's inefficiency to execute the programme.

In 1997, the World Bank gave a loan to the Government of India for malaria control. The key objective of this loan was to shift the focus from killing the mosquito to preventing its breeding, reducing reliance on indoor-residual spraying and by enhanced treatment for malaria victims.[12] Indoor residual spraying of DDT and other pesticides was a key strategy of malaria control adopted by the Government of India and the World Bank. But when one looks at the five key components of this project, three actually end up promoting the use of insecticides. At least 51 per cent of the total project plan was for procurement of insecticides. Interestingly, the project appraisal document of this particular project said that insecticide spraying is an integral part of malaria control strategies worldwide and will continue to be part of the strategy in India and elsewhere. Insecticides constituted 13, 6 and 3 per cent of spending in Brazil, Sri Lanka and Cambodia respectively, and this was during the preparatory or conceptual stage of their Bank-funded malaria control programmes.

An evaluation of the project conducted by the National Engineering and Environmental Research Institute (NEERI), a government organisation, reported: 'All insecticide harms the environment, however, the risk of increased death and morbidity by not using insecticides exceeds their negative environmental impact, especially among rural poor.'[13] Strangely, though issued by a scientific organisation, this statement was not based on any data or facts; it was a faith-based declaration. Similarly, the World Bank had claimed in its *Implementation and Completion Report* document that indoor-residual spraying of insecticide had gone down, but the same document also talked about the lack of monitoring of how these insecticides are handled and sprayed at the ground level.[14] This declaration, which exposes that the World Bank had no guidelines, is particularly shocking, considering that it was promoting WHO class-1 insecticides.[15] When interviewing the staff of this particular programme, it came to light that they did not even have an environmental management plan.

Through the Bank documents, it is not possible to ascertain the quantity of insecticides procured. However, Right to Information applications filed with the National Vector Borne Disease Control Programme revealed that 86 per cent of the final loan amount of US$ 108 million was spent on buying a third-generation insecticide belonging to the class of synthetic pyrethroid.

Here too a few multinational companies benefited from this procurement; they were Bayer India Limited, Aventis Crop Sciences Limited, Syngenta Crop Protection, BASF India Limited, Cyanamid Agro Limited, Zeneca and two other Indian companies.

Another issue that needs to be highlighted is the new project under negotiation for US$ 200 million for vector control, which claims to assist the Indian government to meet its Millennium Development Goals. The project document states that 'Fighting Malaria is high on the Bank Group's corporate agenda'.[16] What is its corporate agenda is not clearly defined. But the sense one gets is that it will be business as usual. While the government claims that the incidence of malaria has come down by 45 per cent, experts claim that there is no significant reduction, especially in the tribal areas where the incidence of Falciparum malaria is rampant.

Finally, it should be noted that given the complexities of malaria control, the politics and emotions involved, not just in India but in sub-Saharan Africa and other places, it is now an acknowledged fact that there can be no single strategy for malaria control. Even the World Bank acknowledges this. But at the ground level, this is not the case and insecticides are extensively and universally used as a panacea.

Promotion of Discredited Waste Treatment Facilities

In the industrial sector, the Bank has been pushing dirty and discredited end-of-the-pipe technologies in India through its lending to urban development, state health systems schemes and capacity building for industrial waste management. The latter has relied almost solely on developing end-of-pipe infrastructure to deal with pollution. In the most well-regulated settings, incinerators and landfills are known to fail and cause problems. Promoting these highly sophisticated technologies in a country where regulatory oversight and monitoring infrastructure are virtually non-existent, and where the power disparity between rich industries and indigent communities cannot be wider, is a sure recipe for disaster. Rather than move India towards state-of-the-art in waste prevention, toxics' use reduction and extended producer responsibility, the World Bank has pushed the cheapest, crudest means to contain citizen frustration regarding polluting industries. In all these, their claim is that they fund state-of-the-art technology, but what they do not understand is that state-of-the-art technology does not operate in a vacuum. India has ways of turning state-of-the-art technology into extremely polluting technology.

A German incinerator would perform to German standards only in Germany. It cannot perform to German standards in India because in Germany the German regulators are not very easy to bribe, German regulators know the science and there is a German public who would not tolerate factory emissions. Therefore, such a system can function in Germany, although even there such technologies are being phased out under public protest as it has been proved that in spite of all the best precautions, they are unsafe. How then does the Bank justify bringing this technology to a country like India?

If there is a polluting factory, the best way to address the pollution is to look at what chemicals are being used that cause pollution, what processes are being used to cause pollution, what products are being manufactured that cause pollution. The best way to go about dealing with this pollution would be to ensure that either there is a change in the chemicals used (use less harmful chemicals) or a substitution of the product. There are some products like nuclear energy or polyvinyl chloride (PVC) that cannot be manufactured safely. In these instances, one needs to phase out these products rather than trying to find ways of dealing with the pollution after it has been created.

In the 1990s, the World Bank influenced the Government of India to adopt Central Effluent Treatment Plants (CETPs) as a 'solution' for its escalating toxic effluent[17] load from industrial activities, especially from the small- and medium-scale sector. The disproportionate expansion of polluting industries vis-à-vis the development of infrastructure to prevent, monitor and regulate pollution has been fuelled by the Bank's two-pronged approach of funding infrastructure that will result in an increase of pollution and the funding of non-solutions like CETPs. Citing the availability of quality disposal infrastructure like CETPs, landfills and incinerators, states like Gujarat invested heavily in the chemical and allied sectors. Around the year 2000, the Gujarat government started a campaign to attract more than Rs 56,000 crore (US$ 12 billion) in the chemical sector. To make this investment attractive, the state planned to build infrastructure for commerce—highways, ports and power projects—by borrowing heavily from the World Bank and Asian Development Bank.[18]

CETPs came to be proposed as a solution in the 1990s as the result of an uprising among people, who were upset with the increasing amounts of polluting waste water that was discharged into the water bodies, and contaminating their land and affecting agricultural productivity. CETPs were introduced not as a technological solution but as a political solution to squash criticism, and it worked. In most of the instances when people protested, they were told, 'Don't worry, in two years we will give you a huge tank where all the polluted waste water will be treated and you can use the treated water for your agriculture.' People kept quiet. Once people stop objecting, it takes a long time for them to get angry again and even longer for them to get organised.

Between 1990 and 2000, about eighty-eight CETPs were set up, and the Central Pollution Control Board in an evaluation ten years later found that 95 per cent of them were not functioning due to which a lot of money had been wasted.

In November 2000, there was a huge protest against CETPs in Vapi, Gujarat. What was ten years ago a solution had now become a source of extreme pollution. When people protested against this, the World Bank said they had stopped funding CETPs, had abandoned that notion and that they had made a mistake. However, by this time, the central and various state governments had learnt of the political utility of end-of-pipe interventions as a means to quiet vocal pollution-impacted communities. Courts too saw CETPs and landfills as a way out of the pollution crisis. But in 2007, the project appraisal report of these two projects that funded the CETPs said that the CETPs need to be re-visited, it is a matter of better management and it is a matter of making industries more compliant. But who will make these industries more compliant? The World Bank project appraisal document makes no recommendations.

The World Bank is also actively involved in garbage privatisation projects in India, which are riddled with similar problems. Recent examples include the IFC's funding of private garbage management companies like Ramky for managing garbage in Bangalore city. The project promotes incineration and landfills besides threatening the livelihood of garbage pickers and local waste economics. There is also a push by the Bank to set up six integrated regional municipal waste landfills for the state of Kerala under the state water and sanitation project.[19]

Similarly, an IFC-funded project was shelved that would have financed an incinerator and a Chemplast PVC factory in the SIPCOT Industrial estate in Cuddalore, Tamil Nadu. Its discontinuation was the result of public protests over concerns that the incinerator would emit dioxins. The company subsequently modified the proposal by replacing the incinerator with a vent gas absorption unit. Curiously, the IFC formulated its Persistent Organic Pollutants (POPs)[20] policy only after it received complaints from the Cuddalore residents. While IFC funding for this project was cancelled, the same company's Mettur plant continues to receive IFC's largesse.

Thanks to the Bank's interventions, while the rest of the world is moving towards pollution prevention, toxics' use reduction and extended producer responsibility, in India we are popularising primitive, end-of-pipe solutions. Should we be engaging with the World Bank at all? It is a question for all of us to answer. We are also far too polite when we deal with the Bank. We deal with them as individuals and not as people connected with the World Bank. We should be harshly critical. We need to get personal with people who are working for the World Bank and with the friends amongst us, the NGOs that are consulting with the World Bank. There is an immense amount of legitimacy that is granted to them through this association. The Bank is not the only place to change the world from; one can come out of the World Bank, those good brains can be put to better use, if they are amongst us.

A system is needed to find and expose these individuals but also allow them a chance to change sides. And that is something that needs to be thought about because six decades have been enough for the World Bank to improve. They do not need any more chances.

Notes

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The Carbon Trade and the Marketisation of Global Warming

PRAFUL BIDWAI

This chapter looks at the phenomenon of carbon trading and assesses the World Bank's role in assisting this phenomenon. A very brief reference will be made to the issue of forests, deforestation and reforestation, where the Bank has played a very important role. Virtually all the major development projects in India, in which the Bank has been involved since independence, have had a damaging environmental impact, especially on forests. If the Bank were evaluated, it would be necessary to indict it for having not only been complicit in the destruction of forests but also in some sense having planned it, willed it and charted a course that would lead to it.

Reforestation programmes of the kind designed by the Bank have always been meant to exclude people. For example, the Bank promoted the planting of eucalyptus, even though it knew that eucalyptus lowers the water tables, will destroy all other surrounding vegetation and sheds toxic leaves as well as releasing other harmful residues. Despite these clearly dangerous and harmful effects, the Bank promoted the planting of eucalyptus because cattle, goats and sheep do not browse on eucalyptus. This eliminates the need to involve people in protecting plantations; plantations will grow on their own. These kinds of reforestation programmes lead to extensive monoculture formations, destruction of bio-diversity and the creation of plantations, not forests. Plantations are not forests. In some sense this is probably the single biggest charge that can be levelled against the Bank in South Asia. It has made the largest possible contribution to deforestation.

With regard to carbon trading, it cannot be emphasised enough that this is a critical issue that is going to be with us for the coming decades. It is also one of the pivotal issues on which the environmental movement is going to have to fight governments, businesses, industries and the World Bank.

Before venturing further, it is necessary to understand the carbon trading business. Put very simply, global warming is probably the single greatest menace that the world faces today, comparable in its destructive potential to a nuclear holocaust. The global warming process is now pretty well understood. We know that it is irresponsible consumption of fossil fuels and many other forms of natural resources that has caused an irreversible change in the world's climate. We are pretty close to the tipping point, after which no matter what you do, it becomes impossible to roll back the damage. We are very, very close indeed in this part of the world to witnessing widespread damage caused by climate change. The Tibetan Plateau, in which seven of the greatest rivers of Asia originate, is witnessing the greatest recession of glaciers, a kind of recession that has not been witnessed anywhere else in the world. It is happening rapidly, relentlessly and some of the effects are already being felt. The long-term phenomenon of rising sea levels will be preceded by cycles of floods and droughts, and Asia is already witnessing some of the most erratic climate events in the world.

Global awareness about increased greenhouse gas emissions has led to the Kyoto Protocol, signed in 2005. This agreement basically involved a commitment by around thirty countries to reduce their greenhouse gas emissions by a measly 5.2 per cent over the 1990 levels, by the year 2008/2012, depending on which category the country belonged to. Environmentalists are agreed that in fact the kind of reductions that are needed are in the order of 60–80 per cent. Thus, something like twenty Kyoto Protocols are needed to stabilise the world's climate and to bring it back to the sustainable level that existed in the early years of the industrial revolution. Ultimately, Kyoto is a pathetic, paltry, little agreement. Even worse, the agreed targets are likely to prove illusive given the way that industrialised nations are trying to reduce them. Furthermore, businesses and governments are so reluctant to actually undertake radical measures to bring about these cuts in greenhouse gas emissions that they are looking for ways of actually increasing their emissions, while appearing to comply with the Kyoto Protocol. That is where carbon trading comes in.

Under the Kyoto Protocol, the Clean Development Mechanism allows for two things. The first is Joint Implementation; that is, the countries of the North can trade pollution quotas amongst themselves. Every industry gets a pollution quota representing a certain number of millions of tonnes of carbon dioxide. Each industry is meant to reduce their quota by 5.2 per cent, but instead of reducing emissions, one company can pay another company which has reduced their emissions. Essentially, Company A pays Company B, which has a low level of emissions, to buy its quota of unused emissions. In effect, Company A can thereby continue to pollute at the same level or even increase its level of pollution.

There is also an explicit system of trading in carbon emissions between the North and South. This is supposed to be the main mechanism for achieving a cleaner environment and a more sustainable future with lower greenhouse gas emissions.

The trade in emissions is turning into a huge business. In 2007, it achieved a turnover of around 64 billion euros, and this amount is increasing at over 20 per cent per year. This indeed is a strange phenomenon—that is, to reduce greenhouse gases you need to promote more business, and business itself creates greenhouse gases.

North–South emissions quota trading is based on the explicit understanding that it costs much less in the South to reduce greenhouse gas emissions per ton. It is estimated that it costs US$ 1–4 (Rs 42.6–170.4) to reduce a ton of carbon dioxide in the South; in the North the cost is around US$ 15–1,000 (Rs 639–42,600).[1] The Kyoto Protocol stipulates that both the North and South reduce their emissions of carbon dioxide. In reality, the North can take advantage of this difference in cost and buy quotas from the South at a fraction of the price the North would have to pay to reduce its own greenhouse gas emissions. The South, on the one hand, has to reduce emissions and, on the other, undertake projects to achieve this aim for both the North and South.

The Bank is heavily involved in financing this booming trade, which will become one of the biggest businesses in the world, perhaps even outpacing the steel and automobile industries.

The Bank's involvement began in the year 2000 with the setting up of the Prototype Carbon Fund (PCF).[2] The PCF established the theoretical and practical mechanism for carbon trading. The Bank has also been a partner in or set up various different funds, such as the Bio Carbon Fund,[3] the Community Development Carbon Fund, the Italian Carbon Fund, the Netherlands Clean Development Mechanism Facility, the Netherlands-European Carbon Facilities, the Danish Carbon Fund, the Spanish Carbon Fund and most recently the Umbrella Carbon Facility. There is also an important new initiative called the Forest Carbon Partnership Facility. With capital bases of hundreds of millions of dollars, these funds can lend billions of dollars to carbon trading operations. All of these funds are now under the Bank's stewardship and represent a very large investment undertaking by the Bank.

There are many other ways in which the Bank is facilitating a carbon market, from capacity building to contributing to the development of methodologies and procedures for carbon finance. The latter includes the creation of so-called 'sinks' of greenhouse gas emissions, building market confidence and mitigating resources.

Thus, the Bank is single-handedly responsible for spreading the illusion that this trading will lead to a reduction in greenhouse gas emissions, and that essentially presents one of the biggest frauds that the world is witnessing today.

Based on the assumption that there is an honest system of trading, there will be equivalence between items traded. As a result, there will not be a reduction in emissions, only equilibrium, with the same total number of millions of tonne of greenhouse gases being emitted year after year. There is no reduction from trading alone.

The whole system of carbon trading is founded on a set of economic propositions central to neo-liberalism and a libertarian perspective on economics. The market is seen as the magical solution to everything and the most efficient allocator of resources. Ronald Coase, a University of Chicago economist, developed this idea and his words on the subject of pollution are quite revealing:

> The pollution problem is always seen as someone who was doing something bad that has to be stopped. To me, pollution is doing something bad and good. People don't pollute because they like polluting. They do it because it's a cheaper way of producing something else. The cheaper way of producing something else is the good; the loss in value that you get from the pollution is the bad. You've got to compare the two.[4]

When viewed from the perspective of the market, the effects of pollution are relative; it is not an entirely bad phenomenon. When applied to carbon trading between the North and South, the North is able to reduce the bad effects of pollution through the purchase of cheaper quotas in the South.

This is very much a version of the logic of Lawrence Summers, a previous Chief Economist of World Bank and President of Harvard. During his tenure at the World Bank, Summers controversially said:

> I've always thought that under-populated countries in Africa are vastly UNDER-polluted, their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City. Only the lamentable facts that so much pollution is generated by non-tradable industries (transport, electrical generation) and that the unit transport costs of solid waste are so high prevent world welfare enhancing trade in air pollution and waste.[5]

The economic logic seems to be that these countries need to be more polluted. Carbon trading is a version of the same logic.

As stated earlier, conceptually, carbon trading is flawed. Even if there were honest quotas, they would not reduce the total load, they would merely keep it stable. The reality is a completely warped system of allotting points to projects that do nothing to lower greenhouse gas emissions. There are also fraudulent and non-existent projects on which quotas are being traded. The biggest single Clean Development Mechanism (CDM) project in the world, which is generating the highest quota, is the destruction of the gas HFC23 (used in refrigeration). The assumption is that HFC23 is such a potent greenhouse gas that its destruction is worthy of a very high quota. A company called Gujarat Flurochemicals has signed the single largest deal in carbon trading, worth Rs 1,000 crore (previously, Gujarat Bio-Chemicals had been running multiplexes). Through this deal, Gujarat Flurochemicals has generated credits worth US$ 800 million with an investment of as little as US$ 30 million, despite the fact that the project leads to no significant decrease in India's greenhouse gas emissions.[6]

The aforementioned situation is made possible by the corporate-dominated CDM board, which passes projects and allots credits. It is corporate lawyers who deliver the final judgement in spite of discussions and appeals. Individuals, environmentalists and affected parties have absolutely no role in this process. Instead, there is the fraudulent allocation of very high quotas to ineffectual projects, without any scope for redress.

Another example relates to companies that want to build incineration plants for municipal waste. These are some of the most unpopular projects anywhere in the world because they generate all kinds of toxic gases including dioxin, the most toxic substance known to science. Each time plastic is burnt, huge amounts of dioxin are generated. There is no way of containing emissions of dioxin. Due to the unpopularity and danger associated with them, incineration plants for municipal waste are given some of the highest allocations of Carbon Emission Ratios (CERs), about 300 times higher than the actual generation of renewable energy. As a result, India and China have acquired more than 50 per cent of the share of the world's North-South CDM market. In terms of the number of projects, India is the single largest country in the world with almost a third of all projects. In terms of the actual CERs, that is, the total carbon emission quota, China is about three-and-a-half-times higher than India.

Many of these projects also involve hazardous technologies and all are completely useless. For instance, the sugar industry in India produces a huge amount of bagasse. This fibrous material is burnt by sugar mills, for which they now claim carbon credits, even though this is something they have always done and this is not a contribution to a reduction in greenhouse emissions. Another example is the Delhi Metro, one of the largest projects for which the Delhi government plans to claim carbon credits. In fact, India will not build more Metro stations unless it gets credits.

Existing 'me too' projects are also getting credits, which they do not necessarily deserve. If countries do what they were planning to do anyway, even in the absence of carbon emission markets, they ought not to claim carbon credits. However, this is being done routinely. Finally, there are a huge number of missing projects, especially forestry projects in the Third World that have attracted a huge number of credits. This involves amounts of hundreds of millions of dollars. In Andhra Pradesh and Tamil Nadu, there are reforestation projects which only exist on paper.[7] This has now been exposed and has caused major embarrassment. The CDM board has blacklisted three of the twenty large firms involved in global carbon trading consultancy. Another five are being re-examined.

Despite this, the Indian government remains keen to opt for carbon trading. This is also the case in China and can be explained by the fact that the elite in both countries simply do not want to undertake any emissions cuts. The elites of India and China hide behind their poor in order to say, 'We are still underdeveloped, our consumption of electricity is one-sixth that of the First world, 70 per cent of our homes do not have reliable power supply, and we are a poor country, so let us pollute more.' According to the Netherlands Environmental Assessment Agency, China has already overtaken the United States as the world's largest emitter of greenhouse gases.[8] According to other estimates, it was believed China would do so in 2007, or later.[9] India is the world's fourth largest emitter of greenhouse gases and is increasing its emissions four to five times faster than the rest of the world. India has also proclaimed that it will refuse to undertake any cuts or any stabilisation of its emissions until developed countries have already done so. In addition, average emissions mean very little; the rich and affluent account for the bulk of the increase in greenhouse gas emissions in India. The poor probably have contributed nothing in the last decade or so; their consumption cannot be said to have increased. However, the Indian and Chinese elite use the poor as an excuse and carbon trading as a means of making money from them.

As stated, India has clearly signalled that it will not undertake any cuts in emissions unless it is paid. It wants to be bribed to make a positive contribution to the global good of reversing global warming and introducing a low-carbon, low-energy consumption path. It will not do so without being paid large sums of money. It is very clear from the paper that the Indian government prepared for the G8 Summit,[10] based on some of the most obnoxious suggestions ever made about reducing greenhouse gas emissions, that India will use carbon trading as one of the main ways of making billions of dollars, while not really undertaking anything.

In future, carbon trading will become not only a substitute for genuine reductions in greenhouse gases, but will in fact detract from any programme that actually changes the world's energies and emissions scenario in a significant way. A Dutch government institute has estimated that given present plans instead of the measly 5.2 per cent reduction that Kyoto mandates, there will be a reduction of less than 0.1 per cent—less than one-tenth of 1 per cent.[11] Carbon trading has become a major menace, as the principal mechanism through which governments and business duck their responsibility to reduce greenhouse gas emissions and in fact pollute the planet more.

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Conclusion

The Findings of the Jury

We, the twelve jury members, have listened for four days to the testimonies and depositions from 150 affected people, experts and academics from some sixty grassroots, civil society groups and communities from all over India. The presentations covered twenty-six different aspects of economic and social development, ranging in scope from the macroeconomic policies and their impacts to testimony from representatives of communities affected by specific World Bank-financed projects. Our members include former justices of the Indian Supreme Court and high courts, writers, scientists, economists, religious leaders, social workers and former Indian government officials. We note that the World Bank Delhi office received an invitation to attend the Tribunal two weeks in advance, but did not participate in the proceedings.

We draw attention to the fact that the World Bank tends to legitimise its action through its self-proclaimed mandate of poverty reduction and development. While in reality, its actions exclude the poor in the best of cases, and hurt and worsen their situation in most other cases. And yet the poor in India excluded and hurt by the World Bank are not marginal in numbers, constituting 27.5 per cent of the population while three-fourths of the entire population live below Rs 20 (purchasing power) or US$ 2 per day. To exclude and hurt the majority of Indian citizens in the name of development and poverty alleviation is not merely callous, but it verges on a social crime.

Charges against the Operations of the World Bank in India

POVERTY

Charge 1: The World Bank has not reduced poverty in India. Instead, their policies are directly contributing to the concentration of wealth and a growing disparity between the rich and the poor. The testimony has shown that the rate of poverty reduction slowed down under Bank-imposed structural adjustment programmes and subsequent poverty reduction strategies. The World Bank's package of economic liberalisation and reduction of public expenditure has only increased the burden of poverty. India and the international community must jointly hold the World Bank accountable for instituting polices that directly contradict its mandate for poverty alleviation, as set out in the Tenth Plan of the Indian government and the Millennium Development Goals.

Charge 2: The World Bank deliberately miscalculates poverty. The World Bank and the Government of India seem to have collaborated in the production of poverty estimates that obscure the ground reality and the suffering of millions of people. This became clear from ground level, micro evidence that indicate the macro state of affairs regarding poverty.

FOOD SECURITY AND AGRICULTURE

Charge 3: World Bank policies have increased hunger in India. The World Bank is responsible for an economic policy framework which has exacerbated poverty levels and dismantled government safety nets which were created to soften the hardships of acute poverty. By discouraging public spending in the name of liberalisation, market-oriented reform and public-private partnership, the World Bank's actions have contributed directly to growing hunger, and even starvation, in both rural and urban India. The World Bank helped to change the Public Distribution System from a universal system to a targeted system in 1997. The Abhijit Sen Committee Report documents the severe decline in both availability and off-take of the food stock in the public distribution system between 1997 and 2001. And yet, undeterred, the Bank is actively trying to do the same with the Integrated Child Development Scheme, contrary to the Supreme Court orders under the Right to Food case. These policies are criminal in a country where acute child malnutrition has remained constant at 46 per cent over the past eight years.

Charge 4: The World Bank contributes to India's agricultural depression and farmers' suicides.In a country where nearly 70 per cent of the population depends directly or indirectly on agriculture, the World Bank has consistently advised refashioning of the agrarian sector to generate corporate profits. Policies aiming to achieve its objectives include:

- Privatisation of seeds, particularly through the 1988 National Seeds Project (III). It has opened India to multinational seed corporations, which has increased the financial burden of small farmers.
- Trade liberalising conditionalities of the World Bank in 1991, 1994 and in 1997 eliminated non-tariff barriers on edible oil imports and removed them from the Essential Commodities Act. These measures have impacted adversely on the livelihoods of millions of farmers and have reversed India's previous rates of high production and near self-sufficiency in this sector.

- World Bank policies and programmes have promoted the cultivation of cash crops such as tobacco, cotton and castor seed. This has exposed small farmers to price volatility against which they have no insurance or defence.
- Finally, the removal of the minimum support price and various procurement machineries has reduced the income of farmers. The suicides by Maharashtra cotton farmers have demonstrated this most dramatically.

By the Indian government's own admission, at least 150,000 farmers have committed suicide in the country since 1993. The ground reality is far more cruel. These small farmers have been unable to survive World Bank-mandated trade liberalisation, financial liberalisation, the privatisation of the seed sector, the reduction of public expenditures, closure of agricultural extension centres, the introduction of new technologies and the privatisation of health care. Increased costs of fertilisers, pesticides, seeds and health care have pushed small farmers into a burden of debt from which they cannot escape. These suicides are happening particularly in Karnataka, Andhra Pradesh, Vidarbha, Punjab and Kerala; that is, states where cash crops and economic liberalisation have been pushed and sustainable agriculture dismantled. Government estimates show that 40 per cent of the suicides have taken place in Karnataka alone, where power tariff hikes, withdrawal of agricultural subsidies and reduction in food subsidies under the Bank's Karnataka Economic Restructuring Loans I and II pushed farmers into greater debt and distress. And yet, the World Bank has criminally neglected to face these issues. In addition, the Bank has been supporting the World Trade Organization (WTO) (Agreement on Agriculture) paradigm on world agricultural trade and production to the detriment of small and marginal peasantry.

MACROECONOMIC POLICIES

Charge 5: World Bank-led development has not improved employment levels in India. From the data presented, the period of World Bank-led economic reform appears devastating from the point of view labour. It was argued that reducing the economic activity of the government in line with the World Bank's views slowed down the rate of employment growth and lowered the quality of employment. An actual decline in real wages by *about* 50 per cent in some of the country's districts in the 1990s was reported. The World Bank and India's policymakers have made much of the aggregate growth in India's economy; yet, it is a jobless growth that holds out no hope for the poor through expanding employment opportunities. In Karnataka, nearly 200,000 permanent employees were forced to take *v*oluntary *r*etirement under the *s*tate restructuring package, and the majority of them were unable to find new jobs.

Charge 6: The World Bank, through policies of financial liberalisation, has reduced credit to India's rural poor, particularly Dalits and adivasis.

World Bank-led financial liberalisation has reversed the advances made during the period of the nationalisation of Indian banks, which started to improve the delivery of rural credit to the poor. Bank-led financial liberalisation, which began via conditionalities in the 1991 Structural Adjustment Loan Agreement, has destroyed that framework for directing credit to poor areas and the marginalised population. In the name of efficient allocation of credit, the World Bank has pushed for deregulation of finance, resulting in the reorientation of credit in the rural areas from small producers to large agricultural borrowers, and diversion of agricultural land in ways that destroy the livelihoods of the rural poor.

Charge 7: The World Bank micro-credit programmes legitimise financial liberalisation while undermining local women's movements.

World Bank micro-finance programmes undermine the women's movements by claiming that the introduction of markets and new financial instruments will solve poverty and gender inequality without the need for looking at other aspects of social practices. The micro-credit testimonies regarding the Velugu/Indira Kranti Padam programme in Andhra Pradesh illustrate how these programmes subvert the rights of women at the grassroots level by restricting women's rights to the economic activities of savings, credit and repayment of loans, but isolating women from political participation and from larger social movements. This has resulted in aggravating existing social bias. Leadership in these programmes has been concentrated even more in the hands of women from dominant castes, and patriarchal tendencies in Indian society have been strengthened.

ESSENTIAL SERVICES

Charge 8: World Bank programmes have increased deprivation by taking essential services away from the poor.

The World Bank is responsible for making essential services less accessible to the majority of poverty-stricken Indians by systematically dismantling government institutions and services meant for that purpose. Instead, the Bank has repeatedly funded projects for privatising power, water, education and health. The introduction of user fees has made all these services largely unaffordable for India's poor, deepening deprivation among them.

Charge 9: World Bank power sector reform projects have failed.

Testimonies demonstrated how World Bank-funded reform programmes in the power sector, mostly directed at distributional activities, have been handed over to private companies for making easy profit. On the other hand, areas requiring large initial investment (such as generation) are left to public control. Testimonies revealed that the World Bank-funded power programmes obstructed public scrutiny, enriched private corporations and created increased costs for regular consumers. Without increased availability, the poor have not benefited in anyway through this marketisation process but corporate profits have increased.

- Orissa, the first state to implement the Bank-led reforms, was an unambiguous failure admitted by both Government and World Bank reports. The private companies failed to bring capital or expertise to Orissa, efficiency did not improve, and transmission and distribution losses did not decline.

- The removal of subsidies in Orissa has resulted in the slowdown in rural electrification and the elimination of access to the disadvantaged who need electricity to increase especially agricultural productivity. The poor were never consulted, their need never considered in the reform process. All this happened despite the Bank's claim to focus on poverty reduction.
- Of the six states which reformed along the World Bank line (Orissa, Haryana, Andhra Pradesh, Uttar Pradesh, Karnataka and Rajasthan), only two were considered satisfactory by World Bank's own assessment. One of these, Andhra Pradesh, chose to reject several of World Bank conditions in the face of Orissa's failures and large protests regarding tariff hikes.
- While Rs 300 crore were paid to external consultants in designing the Orissa power project, the World Bank revealed its lack of accountability by putting the blame of project failure entirely on the government of Orissa.
- Orissa's reform model was conducted without public debate or participation, in a hasty fashion and manufactured consensus on a pre-determined set of policies.

Charge 10: World Bank water reforms and privatisation programmes turn the most basic right absolutely essential to being alive into a commodity.

World Bank projects to privatise water supplies are particularly dangerous for the survival of the poor. Community testimonies from Bangalore, Mumbai, Bhopal and Delhi have indicated that the privatisation, commercialisation and commodification of urban and other water resources, instead of ensuring universal distribution, cut off people from this essential need, while its ruthless marketisation policies benefit monetarily private corporations.

- In Karnataka, water supply operation and maintenance in the cities of Belgaum, Gulbarga, Hubli and Dharwar have been handed over to the largest private water company in the world, Veolia, under a World Bank-sponsored programme. Interestingly, it neither pays for groundwater, which is paid for by the state, nor has it made any initial investment. It only makes profit.
- The Greater Bangalore Water and Sanitation Project, financed by the World Bank, does not contain a single pro-poor policy, and yet 50 per cent of the people in the area are urban poor.
- In an attempt to show that the poor are willing to pay for water, the World Bank has spent Rs 4.5 crore on information, education and communications mostly paid to consultants, to convince slum dwellers in Bangalore that they should pay for water.
- In Bangalore, the very poor are increasingly becoming disconnected from existing public water supply systems. A policy of no free water supply with 100 per cent metering has been implemented and 3,500 public taps have been closed so far.

- The World Bank was shown to have evaded deliberately public scrutiny and practised corrupt procurement policies in its plan to privatise Delhi's water supply in concert with some high-placed government officials.
- Testimonies showed that the Delhi privatisation plans would have increased water tariffs by almost six times, would have increased management costs due to the high management fees paid to private companies and would not have delivered free or subsidised water to the poor.
- Amazingly, despite documented failures in the power sector, the same reform package is now being implemented again under World Bank funding in the water sector in Madhya Pradesh, Maharashtra and Karnataka.
- Under the World Bank water reform programme in Madhya Pradesh, irrigation is slated to be privatised, with irrigation rates already higher by 20 per cent.
- The World Bank chose as the pilot project K-East ward, one of the most efficient and profitable wards in Mumbai, to justify plans for the privatisation of Mumbai's water supply.

Charge 11: The World Bank has undermined the primary education system in India.

The Indian people's constitutional right to eight years of primary education is being subverted by World Bank policies and projects.

- Public expenditure on education as a percentage of gross domestic product (GDP) has been declining steadily for the past fifteen years since 1990, except for a two-year period from 1999 to 2001, despite the levying of 2 per cent educational tax by the United Progressive Alliance (UPA) government and almost one-third of the finance for the government's elementary school programme Sarva Shiksha Abhiyan (SSA) coming from international financing agencies, including the World Bank.
- Bank-funded programmes, District Primary Education Programme (DPEP) and SSA, have targeted primary education of five years or less as the desired objective for the children of the masses as opposed to eight years, guaranteed under the Constitution.
- Bank-funded programmes DPEP and SSA have introduced for the children of the poor lesser quality multi-track alternative and non-formal schemes. The Bank has endorsed multi-grade teaching, by which a single person teaches simultaneously five grades in a single room, and encouraged the use of poorly paid, ill-trained para-teachers, handicapping children from poor backgrounds.
- These programmes have been unable to reverse a trend beginning in the 1980s of dropping primary school enrolment. A recent census figure shows that 43.5 per cent of children between the ages of 5 and 9 years are not in school.
- Under the World Bank paradigm, only those whose families can afford to pay the cost of education shall be allowed to proceed beyond primary education. For the rest, access will be confined to vocational skills.

Charge 12: World Bank health care programmes have failed the poor in India.

The World Bank has systematically dismantled the vision of social responsibility within health care planning since the 1970s. Under the World Bank's guidance, the Government of India has moved away from providing universal health care to targeted health care and immunisation. India has moved from a view of public health as an outcome of social justice and development to one of targeted medical interventions within a cost recovery system. This narrowing of the view of public health has made overall health care unaffordable to the majority of India's citizens. Because the poorer and vulnerable groups are denied affordable health care, the poor are forced to seek care in more advanced stages of illness and yet become more impoverished.

- World Bank Health Systems Development Projects (HSDPs) have implemented user fees across all secondary and tertiary hospitals, increased the proportion of pay ward beds and increased user fees for out-patient services.
- While HSDPs were committed to maintaining proportional allocation to health in the state budget, in six HSDPs, allocation to health as a percentage of state budgets remained well below 5 per cent in all six states and it decreased in most states. In Karnataka (6.0 to 4.3) and Punjab (6.0 to 3.8) it decreased dramatically while user fee revenue increased several-fold.
- The World Bank has failed in all six of its completed state-wide HSDPs to track information on stated or salient indicators, such as equity or quality of care, in order to assess project outcomes. For example, West Bengal, Punjab and Karnataka do not report on proportion of below poverty line (BPL) population or Scheduled Caste/Scheduled Tribe population among inpatients or outpatients despite these being stated project objectives. Even when data are presented, it is neither specified how these were collected nor the period and sample that they pertain to, an unacceptable lack of transparency in projects of such scale.
- In West Bengal, the process of gaining exemption from user fees has proven increasingly complex and unattainable for almost all poor patients, barring the poor from access to health care services.
- Despite talk of safety nets, the emphasis in World Bank-funded health programmes is on a single disease project (HIV/AIDS), which is occupying about 70–80 per cent of the total expenditure in all disease control programmes of this country. This ignores the significance of other serious diseases such as tuberculosis and malaria.

LAND ACQUISITION AND DISPLACEMENT

Charge 13: World Bank urban development programmes benefit developers at the cost of the urban poor and are detrimental to the environment.

The World Bank-funded urban re-development scheme, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), proposes to remodel over sixty-three

Indian cities in a capital- and energy-intensive fashion. This project is directly based on World Bank policy recommendations via Analytical Advisory Assistance (AAA). It represents a drive to turn massive quantities of urban land over to the private sector and forms the basis of structural adjustment of the cities. The adverse impacts on the poor were described vividly by individuals who came from affected communities in Mumbai, Bangalore, Kolkata, Delhi, Bhopal, Lucknow, Chennai and Hyderabad.

- The urban development programme of the World Bank puts conditionalities on states that blatantly benefit multinationals and private corporate players. This includes the removal of the Urban Ceiling Act and the reduction in Stamp Duty.
- In spite of pro-poor rhetoric, many hundreds of thousands of people continue to be dispossessed and displaced in the cities under JNNURM and previous World Bank urban development projects with unacceptable rehabilitation or none at all.
- Under the ongoing Tamil Nadu Urban Development Project and the JNNURM, 350,000 people are planned to be displaced in Chennai.

Charge 14: World Bank coal mining projects have caused grave and ongoing harm to India's tribal communities.

In Jharkhand, the World Bank-funded Parej East coal mining project has taken the land and destroyed the livelihoods of nearly 2,000 people at last count. This case represents only one of many similar episodes from the coal mining area in Jharkhand, funded under the same or previous projects. Although the Bank's own Inspection Panel found the rehabilitation process grossly flawed in 2003, little has been done for the people of Parej East. The World Bank has failed to ensure compensation to many displaced and dispossessed by its projects.

Charge 15: The World Bank tsunami relief effort has served as a pretext for grabbing land.

The World Bank acted as a broker for the private sector, which used the tsunami of 2004 as an opportunity to displace local residents from high-value land resources. It was also a pretext to privatise the fishing industry. This has ruined many small-scale fishermen and peasants. The World Bank's Emergency Tsunami Recovery Project works in unison with the existing World Bank Tamil Nadu Urban Development Project in appropriating coastal lands for private land developers. These projects continue to result in massive dispossession and displacement of people.

- The impact has been hardest for those in the urban and semi-urban districts of Chennai and Thiruvallur due to the high value of real estate.
- In these districts 7,432 families have been relocated and another 29,909 families are planned to be relocated, many of whom are Dalit, minorities and tribals.
- The displaced live in absolute poverty with extremely limited access to education and housing, and under terrible conditions of sanitation.

- Women in these communities have been hit the hardest. In order to survive, many resort to selling their hair and organs, or to sex work.

Charge 16: The World Bank has displaced thousands in the name of eco-tourism without democratic process or consultation.

The World Bank-financed projects, as evidenced in its India Eco-development Project of 1995, have resulted in forced displacement of thousands of people from their traditional forestlands, while simultaneously opening these areas for the private sector. Eco-tourism projects, if they are to be pursued, must first of all protect the forest. As importantly, the relocation of people must be on the basis of land for land and with the full and prior consent of the communities involved. The World Bank has neither consulted the adivasi or other village communities in the design for the eco-development programmes nor has it worked out schemes for the protection of the environment and the settlement of displaced persons.

- The Eco-development Project displaced people from seven of the country's national parks (Buxa, Pench, Ranthambore, Periyar, Nagarahole, Palamau and Gir) without consultation. In addition, the implementation of the project failed in its objective of protecting the forest.

ENVIRONMENT

Charge 17: The World Bank's Carbon Trading approach creates a subsidised private market out of greenhouse gas emissions, which, in practice, is doing nothing to reduce them.

The World Bank created a framework of Carbon Credits in 2000 though the Prototype Carbon Fund. Testimonies show that the World Bank continues to expand these dubious trading regimes through the setting up of new carbon funds, as well as developing new financial carbon trading instruments. At the same time, the World Bank Group has accelerated its lending for large coal-fired power plants in India and elsewhere. While its own lending portfolio finances increased greenhouse gas emissions, the World Bank Group is propagating a government-established, so-called market-based solution to the climate change problem while greenhouse gas emissions from both industrialised and developing nations have accelerated during the past eight years. Under current conditions, the Bank's carbon trading approach moves 'credits' for climate change pollution around, particularly from the North to the South, while doing nothing to actually reduce this pollution.

- In India, the World Bank is supporting its 'Improving Rural Livelihoods through Carbon Sequestration' Project via the Bio Carbon Fund. In practice, in the name of poverty alleviation through carbon revenues and the removal of greenhouse gas emissions, this Bank programme is creating monoculture plantations to serve the paper industry while destroying pastoral areas that local communities depend upon.

Charge 18: The World Bank has played an active role in diluting Indian environmental law and policy to the benefit of large corporate players.

The World Bank is responsible for reorienting the National Environmental Policy, the Environment Impact Assessment (EIA) and the Coastal Regulation Zone amendments. It has undermined even existing standards by moving India away from a 'do no harm approach' to a 'polluter pays' approach. Testimony showed how the Bank's influence has been instrumental in removing the right of public hearing under the EIA process, thereby disempowering affected communities and indigenous people in the face of projects devastating their heritage and livelihood. World Bank environmental policy advice appears to have been crafted to ensure large corporations and multinationals access to natural resources and land for profit while dispossessing and displacing tribal and rural communities.

Charge 19: World Bank projects use toxic materials and obsolete technology in India.

The Bank has deliberately financed the transfer of outdated and environmentally dangerous technology to India, including certain fertilisers, pesticides and waste treatment facilities. Evidence was presented to show that the Malaria Control Project promoted the use of toxic pesticides, despite the availability of non-toxic alternatives. Interestingly, 51 per cent of the loan proceeds under this project went straight to multinational companies for the purchase of pesticides. In particular, one Right to Information application found that Rs 4.3 billion were spent on buying a third-generation insecticide called synthetic parathroid from large chemical companies. Similar findings are available in the agricultural sector. And yet, there already exist ample evidence and scientific studies to prove their toxicity and danger to public health. These technologies have been discarded in the West, but have found a market in India under World Bank programmes.

KNOWLEDGE PRODUCTION

Charge 20: The World Bank creates biased knowledge to promote pre-determined economic policies.

Case studies presented across multiple sectors including health, agriculture, water, environment and technology have shown that the World Bank has directed its resources to create and promote a body of knowledge to support an agenda of liberalisation, privatisation and globalisation. Specific evidence presented at this Tribunal has shown that in various reports, important facts have been deliberately suppressed and others handpicked to support plans for large dams and the privatisation of water. Testimony also demonstrated that information produced by the World Bank excludes local people and local knowledge but generates highly lucrative contracts for international consultants. Two specific examples of studies produced under the rubric of the Bank's Analytical and Advisory Activities in India showed the flawed and biased nature of the Bank's information production.

- The World Bank concealed its own research showing the negative effects of tradable water rights when proposing this concept to the Indian government. While the World Bank touted its international experience to justify the idea of tradable water rights in its 1998 Review of India's Water sector, in the same report it concealed evidence from the Chilean experience revealing serious problems with the proposal.
- In the 2005 strategy paper entitled 'India's Water Economy: Bracing for a Turbulent Future', the Bank used an unpublished study it had commissioned on India's Bhakra Dam to justify a dramatic increase in large dam construction. This study is still unavailable. Indian policymakers are expected to take the Bank's claims at face value without access to information presumably available with the World Bank.

GOVERNANCE

Charge 21: The World Bank exerts enormous influence in Indian policy-making through posting current and former staff in key positions in the Indian bureaucracy.

Detailed evidence was presented to show how former World Bank staff have occupied the key positions within the Indian Finance Ministry, the Reserve Bank of India and the Planning Commission for the past few decades, particularly since the early 1990s. The World Bank routinely gives lucrative consultancies and other honoraria to government policymakers to influence policies. This creates serious conflict of interest and compromises the ability of government officials to take decisions contrary to the economic position of the World Bank. This system instead creates incentives for policymakers to pursue policies which produce future contracts and employment with the World Bank. The World Bank has very carefully nurtured India's policy elite who owes more to this international institution than to the Indian people.

Charge 22: World Bank conditionalities directly defy India's economic sovereignty, a right recognised by the United Nations Economic and Social Council.

The World Bank has spuriously claimed immunity from prosecution by way of its membership in the UN system. Yet, it is well known that it has tied lending to mandatory economic reforms in India which violate the UN Charter and the Charter of Economic Rights and Duties of States. With the help of a policy elite it has carefully nurtured, the World Bank has undermined India's sovereignty by imposing harsh and mandatory economic reforms. For instance,

- The 1991 Structural Adjustment loan to India forced it to make changes in industrial policy, import-export policy and foreign investment regulations.
- In Karnataka, the Karnataka Economic Restructuring Loans I and II mandated the withdrawal of subsidies and other public expenditure cutbacks, reduction in government employment, reducing pensions and widening of disparities through wage structures, and disinvestment of the public sector.
- In the Andhra Pradesh Economic Reform Loan I, mandatory conditions spanned fiscal budgetary reform, reduction of public expenditure, financial management

reforms, and governance and regulatory reforms, amounting to a bias in favour of the private and against the public sector.

Charge 23: The Good Governance Agenda of the World Bank has undermined the sovereignty of the Indian State while having little impact on reducing corruption.

The 'good governance' loans given by the World Bank have provided new opportunities to impose changes on the Indian government in the name of correcting past deficiencies in policy implementations. The Bank invariably blames these failures on India's poor governance structures, without ever considering its own failures, especially its negligence in carrying out its fiduciary duty to ascertain and ensure that the funds it lends are used for the purposes intended. It has changed government institutions under the pretext of rectifying problems of corruption, misguided resource allocation and interference with the private sector. Examples given from Karnataka and Andhra Pradesh include 'reforming' the budgetary process, downsizing the civil service staff, decentralising health and water services through downsizing public action, and even changing Indian laws.

Charge 24: The World Bank has undermined democratic functioning in India.

Bypassing Parliament, other elected bodies and public debate, the World Bank's interventions at various levels of government have weakened India's democratic processes. Examples and testimonies from various sectors showed that the World Bank had wilfully sought to undermine government authority at the state, municipal and panchayat levels.

- World Bank loans to the central government routinely bypass Parliament.
- There is strong evidence based on World Bank documents that the Bank had strong influence in the management of and the legal status of India's coasts. It wielded this influence without the knowledge of Parliament, let alone its consent.
- World Bank programmes have forced state governments to implement land and tax reforms without taking the public into confidence in any way.
- The World Bank has created extra-governmental organisations to open markets in water and micro-finance at the community level. In Andhra Pradesh, these Water User Associations have been dominated by wealthy landowners and members of the upper castes without encouraging democratic functioning. Women's self-help groups in the state have faced similar problems.

These programmes indicate the power and reach that the World Bank and its army of private sector stakeholders have over the collective body from the central government to the state and down to and bypassing the panchayat levels of decision-making. When inconvenient, panchayat level or local self-government decisions are simply bypassed.

Charge 26: The World Bank's so-called 'good governance' measures, by focusing *exclusively on government conduct, have completely ignored issues of private sector corruption, and indeed encouraged them via deregulatory policies.*

Data has clearly shown the degree to which the black economy is operating in India. The World Bank, by its unwavering championship of the private sector, only contributes to this corruption. Although there is no evidence to suggest that the private sector is less corrupt than the government sector, even evidence to suggest the opposite, the Bank has turned a blind eye to these issues and contributed to sustaining and increasing the black economy. Deregulation of the private sector and the downsizing of government at the Centre and in the states of Andhra Pradesh, Himachal Pradesh, Karnataka and Tamil Nadu have strengthened the corruption operating between the private sector, bureaucrats and politicians.

Charge 27: The World Bank operates in a secretive manner, contradicting its own rhetoric of 'good governance'.

The World Bank turned out to be a highly secretive organisation with a disclosure policy that is below international standards and India's own Right to Information Act. It reports to no national or international body and its own redressal procedures have repeatedly been shown to be inadequate for correcting failed policies and disastrous projects. Testimonies from Jharkhand and Himachal Pradesh have shown that neither the Inspection Panel nor the International Finance Corporation's (IFC) Compliance Advisor Ombudsman (CAO) can be relied upon to provide reasonable checks on World Bank functioning.

- The World Bank refused to hand over documents concerned with the water privatisation project in Delhi, quoting limitations in the Bank's disclosure policy. These documents were available under Indian law, which reveals the Bank's retrogressive position on transparency and disclosure.
- Similar problems were encountered with the Inspection Panel in Jharkhand. No orders have been taken and the affected people of the Allain Duhangan (Hydropower) Project have received no redressal from the CAO office of the IFC for severe social and environmental outcomes of the project.

NEGATIVE NET TRANSFERS

Charge 28: For too many years India has been a net provider of funds to the World Bank: the flow of money between the World Bank and India is in favour of the World Bank.

The net financial transfers from the World Bank to India are negative. Between 1996 and 2002, financial transfers were positive in only 2001, with US$ 340 million in net aid. In 2002, India paid the World Bank US$ 2.4 billion more than what it received that year from the Bank. So in addition to the failed projects, loss of jobs and land, aggrandisement of the private sector, undermining of democratic decision-making at all levels, the World Bank does a lucrative business with India. The Indian public is still paying. How can an international public institution that justifies itself by claiming to help poor people in poor countries take more funds out of a country like India annually than it provides?

WORLD BANK ECONOMIC PHILOSOPHY: RHETORIC VERSUS PRACTICE

Charge 29: World Bank activities subvert and undermine people-centred movements for real and equitable social change.

The Bank has continuously proven itself to be unaccountable to public criticism and incapable of internal reform. It has repeatedly ignored protests from communities who have suffered under its programmes. Beyond its failures in self-governance, the Bank's choice of partners, its refusal to listen to criticism, its efforts to roll back social welfare programmes and its latest schemes to push privatisation at the lowest levels of governance indicate that it is wilfully undermining movements for just social change. It stands against and not for the ordinary citizens, the majority of poor in this country, despite all its pro-poor rhetoric.

CONCLUSION

Our conclusion based on these testimonies is that the majority of World Bank-sponsored projects neither serve their stated purpose nor benefit the poor of India. Instead, in many cases, they have caused grievous and irreversible damage to those they intend to serve. The evidence we have heard adds up to a disturbing picture of the World Bank's underlying agenda and operations, as it benefits those privileged with capital but pushes to despair the already vulnerable. We recommend that the World Bank should compensate those it has harmed gravely through its policies, projects and neglect in carrying out its own environmental and social safeguards. Unless there are instituted clear and transparent mechanisms through which World Bank activities and policies can be independently monitored and audited, it would be better for the World Bank to quit operations in India.

From the testimonies, a pattern became visible. The World Bank does not act in isolation. It has worked in collaboration with the other international financial institutions, as well as with the private sector agendas from powerful nations, in perpetuating an economic system that has benefited these stakeholders disproportionately, almost invariably at the cost of the poor.

Additionally, we find the Indian government an equally responsible party in perpetrating this state of affairs. It became apparent in the course of these deliberations that in India now there is little difference between the thinking of its policymakers and the World Bank. We hold the Indian government equally responsible and call for a reversal of its policies.

Amit Bhaduri
Meher Engineer

Ramaswamy R. Iyer
Alejandro Nadal
Bruce Rich
Aruna Roy
Arundhati Roy
Justice P. B. Sawant
S. P. Shukla
Sulak Sivaraska
Justice H. Suresh
Romila Thapar
Justice K. K. Usha

Appendix I

A Note of Qualification

RAMASWAMY R. IYER

I am neither an apologist for the World Bank nor a believer in neo-liberal economic philosophy. I have no disagreement with the Report on its findings of serious adverse effects on the country, and in particular on the poor, of various economic policies and programmes. However, I find it necessary to qualify my endorsement of the Report with the following observations.

First, I do not see why we should ask the World Bank to quit. It is as much our bank as any other country's. India has contributed to its funds. If we feel that it is too much under American control, we must try to fight that control rather than let go of the World Bank.

Second, the policies that all of us criticise—special economic zones (SEZs), alienation of good agricultural land, gifting of large areas of land to the corporates, agricultural policies that lead to farmers' suicides, development policies that marginalise the poor further, urban renewal policies that drive the poor out of their homes and livelihoods, dam projects that displace large numbers of people, the privatisation of utilities and water, the dilution of environmental clearance processes or coastal zone policies in the interest of domestic and foreign industrial/commercial investment, and so on—are the policies of our elected governments, central and state, including 'communist' governments such as West Bengal. They have adopted those policies not necessarily at the bidding of the World Bank, but because they—and many in academia, the media and the intelligentsia—subscribe to neo-liberal economic thinking. There are many who sincerely believe that this is the right path and that those who oppose it are wrong. That is where the fight—a difficult one—lies.

I am aware that the World Bank and the International Monetary Fund (IMF) have been criticised even by some of their own former officials for prescribing standard structural adjustment programmes to a number of hapless countries and causing all kinds of problems. India, however, is not a weak or small country that can be bullied by the World Bank or IMF. If the Government of India adopts certain policies, it cannot be allowed to say that it did so under the pressure of the World Bank; it must take the responsibility for its decisions.

Third, capitalism (including its neo-liberal form) was not invented by the World Bank. It is the dominant economic philosophy of the world today. Not merely America, but even China and Russia subscribe to that philosophy. Globalisation, liberalisation, privatisation—these are the widely proclaimed slogans of today. Challenging that philosophy, and not just demonising the World Bank, is what we need to do.

I am not saying that the World Bank should be absolved of all guilt. It can be criticised if it goes beyond the call of duty in promoting its official philosophy and tries to arm-twist a member country into adopting certain policies or taking certain actions against its inclinations. It can also be criticised if individual officials of the World Bank throw their weight about or hector and bully the officials or politicians of a member country. For instance, the World Bank's advocacy of the privatisation of water services often amounts to pressure; and its Delhi office certainly seemed to show undue interest in seeing Price Waterhouse Cooper selected as consultant to the Delhi Jal Board for the reorganisation of its water-supply activities. There is also reason to believe that in 2000–1 the World Bank worked actively to sabotage the Report of the World Commission on Dams. In other words, we can blame the World Bank not for making certain recommendations or advocating certain policies, or even for stipulating certain conditions, but for carrying its 'persuasion' too far, applying pressure and arm-twisting. That distinction is not adequately made in the Report.

9 September 2008

Appendix II

Members of the Jury

Amit Bhaduri

An economist and social activist, Professor Bhaduri is the author of over a dozen books on economic theory and is Professor Emeritus of Economics at the Jawaharlal Nehru University, Delhi. He is currently Professor of Political Economy at the University of Pavia.

Meher Engineer

Social activist and physicist, currently studying climate change, Professor Engineer is a member of the Teachers and Scientists Forum and former Director of the Bose Institute.

Ramaswami Iyer

Former Secretary of Water Resources for the Government of India, Iyer was the initiator and principal draftsman of India's first National Water Policy in 1987. He is currently an Honorary Research Professor for India's Centre for Policy Research. He has published two volumes on water policy.

Alejandro Nadal

Professor of Economics at the Center for Economic Studies, Professor Nadal is the Coordinator of the Science and Technology programme at El Colegio de Mexico. He is a journalist for La Journada and advisor to the World Conservation Union.

Bruce Rich

Rich is an attorney in Washington D. C. He has testified in many congressional hearings concerning the World Bank's performance and was awarded the United Nations Global 500 Award for environmental achievement. He is the author of *Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development* (Beacon Press, 1994) and *To Uphold the World* (Penguin India, 2008).

Aruna Roy

A social activist, she was instrumental in the passing of the Indian Right to Information Act in 2005. Aruna Roy is co-founder of the Mazdoor Kisan Shakti Sangathan (Workers'-Farmers' Unity Union) in 1990 and a recipient of the Magsaysay Award for community leadership and international understanding.

Arundhati Roy

Novelist and author, Arundhati Roy is an activist who has participated in many social justice movements including the Narmada Valley struggle and the World Tribunal on Iraq. She won the Booker Prize in 1997 for her first novel, *The God of Small Things*, and has published the *Ordinary Person's Guide to Empire* and other collections of political essays.

Justice P. B. Sawant

Former Justice in the Supreme Court of India, Justice Sawant was the Chairperson of the Press Council of India from 1995 to 2001 and the President of the World Association of Press Council from 1996 to 2003.

S. P. Shukla

Former Secretary of Finance for the Government of India, Shukla was India's representative at the GATT (General Agreement on Tariffs and Trade) talks. He is a well-known expert on patents and WTO/TRIPS (World Trade Organization/Trade Related Intellectual Property Rights) negotiations.

Sulak Sivaraska

Founder and director of the Thai non-governmental organisation Sathirakoses-Nagapradeepa Foundation, Sivaraska is one of the fathers of the International Network of Engaged Buddhists. He was awarded the Alternative Nobel Prize (Right Livelihood Award).

Justice H. Suresh

He was Justice of the High Court at Bombay from 1986 to 1991. He has headed various commissions looking into human rights violations, including the Kaveri Riots in Bangalore and the 1993 riots in Bombay. He is widely regarded as a leader of India's People's Tribunal movement.

Chief Justice K. K. Usha

She was the first woman to be appointed to the position of Chief Justice in Kerala High Court. She was a member of the division bench which recently rejected the infamous appeal that curbs should be imposed in press reporting of court cases.

Romila Thapar

Professor Emeritus in History at the Jawaharlal Nehru University, she was elected General President of the Indian History Congress in 1983.

Appendix III

About The World Bank Group in India

The World Bank Group is a global, inter-governmental organisation whose stated purpose is poverty alleviation. In its sixty years of operations, it has disbursed approximately US$ 525 billion to developing nations, mostly in the form of loans. India has long been one of its primary clients; currently, it ranks among the top four (with China, Russia and Indonesia). The World Bank provides loans to national governments for projects (such as infrastructure development) and for macroeconomic policy 'reform'. It also has an extensive research arm. The World Bank is made up of 185 member countries, including India. To be a member of the World Bank, a country has to also be a member of the International Monetary Fund (IMF).

The World Bank is best known for its financing of large infrastructure projects, such as big dams (Sardar Sarovar is the classic example), power plants and highways. However, in recent years, the World Bank in India has moved to a much more powerful policy-based role, influencing macroeconomic policies as well as policies in sectors such as urban development and agriculture.

The World Bank Group consists of:

1. International Bank of Reconstruction and Development (IBRD)
2. International Development Association (IDA)
3. International Finance Corporation (IFC)
4. Multilateral Investment Guarantee Agency (MIGA)
5. International Centre for Settlement of Investment Disputes (ICSID)

The IBRD makes loans to governments for profit. The IDA offers long-term, interest-free loans to its poorest member governments with a low service fee. The IFC provides both equity and loan capital to the private sector. MIGA provides political risk insurance to private investors and the ICSID provides mediation services between foreign investors and governments. India is a member of all the institutions of the World Bank Group, except ICSID.

The IBRD and the IDA have given loans of India of US$ 69.7 billion as of July 2007.

The IFC has invested in 199 companies in India at this printing, having provided nearly US$ 5.35 billion in financing. India is the IFC's third largest country of operations, with lending commitments of US$ 1.05 billion in 2007 alone. The Indian companies the IFC has invested in include Allain Duhangan Hydro Power, Petronet, Tata Iron and Steel, ICICI Bank, HDFC Bank, Dabur Pharma, Bharat Biotech, Bharti Telecom and Jet Airways.

Voting rights within the World Bank Group are based on financial contribution. Historically, the United States has had the largest share of voting power within the Bank. As of June 2008, the US held 16.38 per cent of votes in the IBRD and 12.67 per cent in the IDA. In Miga and the IFC, the US share is 23.63 per cent.

India's voting power in the IBRD is 2.78 per cent, in the IDA it is 2.82 per cent. In Miga and the IFC, India's share is 3.39 per cent.

To date, the president of the World Bank has always been a citizen of the US, drawn from the banking sector or the US military or both.[1]

Presidents of the World Bank

World Bank President	Tenure	Previous Positions
Eugene Mayer	1946	Partner, Lazard Freres
John J. McCloy	1947–49	Assistant Secretary of War
Eugene R. Black	1949–63	Vice President, Chase National Bank
George D. Woods	1963–68	Board Chairman, First Boston Corp.
Robert McNamara	1968–81	US Secretary of Defense
Alden Clausen	1981–84	CEO, BankAmerica
Barber B. Conable	1984–91	US Congressman
Lewis Preston	1991–95	CEO, J.P. Morgan
James D. Wolfensohn	1995–2005	Executive Partner, Salomon Brothers
Paul Wolfowitz	2005–7	US Deputy Secretary of Defense
Robert Zoellick	2007–	Managing Director, Goldman Sachs; Member, Advisory Board, ENRON

The World Bank, in its latest *Country Report for India*, sets out its plan for the years 2005–8. It mentions three areas in which it will do substantial lending:

- Infrastructure (road, transport, power, water supply and sanitation, irrigation, and urban development);
- Human development (education, health and social protection);
- Rural livelihoods, with an emphasis on community-driven approaches.

Particular regional focus is on Bihar, Jharkhand, Orissa and Uttar Pradesh.

Many civil society groups protested the Country Assistance Strategy in 2004 for linking financial support with conditionalities such as reform and privatisation of key sectors, ignoring past project and policy failures, and the re-introduction of lending for large dams. The document was also condemned for the lack of transparent and inclusive process in its creation.

At this writing the consultation process for the next Country Assistance Strategy is near completion in India.

Notes

1. Bruce Jenkins and Nancy Alexander, *Who Rules the World Bank?,* Bank Information Center, 2005, presented by Smitu Kothari at the Independent People's Tribunal on the World Bank.

Glossary

Agreement on Agriculture (AoA)

One of the agreements of the Uruguay Round of negotiations that led to the establishment of the World Trade Organization in 1995. It brought agriculture under the purview of substantive multilateral trade rules for the first time. The AoA comprises domestic support, market access and export competition, often referred to as the three pillars of the agreement.

Agricultural Extension

Agricultural extension refers to 'out of college' learning, thereby 'extending' practical information to the general adult population. The extension movement began in urban areas during the industrial revolution in the UK. Today, agricultural extension refers to a wide range of educational activities organised for people in rural areas by professionals.

Alma Ata Declaration

Declaration adopted at the International Conference on Primary Health Care, meeting in Alma-Ata, Kazakhstan, September 1978. It affirmed that health is a fundamental human right and that the attainment of 'Health for All' is a most important world-wide social goal whose realisation requires the action of social and economic sectors in addition to the health sector.

Analytical and Advisory Activities (AAA)

In World Bank parlance, Analytic and Advisory Activities (AAA) include research and strategic direction provided to clients in order to influence policy and decisions on projects and programmes. 'These activities comprise Economic and Sector Work, Non-lending Technical Assistance, Knowledge Management as well as Aid Coordination, Country focussed research, Client Training and Research Services' (World Bank).

Asian Development Bank (ADB)

The ADB is a regional development bank established in 1966 to promote economic and social development in Asian and Pacific countries through loans, technical assistance, grants, advice and knowledge.

Bilateral agency

Bilateral agencies are governmental agencies in a single country which provide aid to developing countries (aid is therefore country to country). Examples are the United States Agency for International Development, the UK's Department for International Development, the Canadian International Development Agency and the Japan Bank for International Cooperation.

Biotechnology

Biotechnology is technology based on biological organisms, and is particularly applicable in the areas of food, agriculture and medicine. It is controversial in many areas of application, including cloning and genetically modified foods, and is currently of benefit to the large corporations that are trying to control and profit from its use.

Bretton Woods Institutions

The World Bank and the International Monetary Fund were both established at a meeting of forty-three countries in Bretton Woods, New Hampshire, US, in 1944, to help rebuild the shattered post-war economy and to promote international economic cooperation. Together they are referred to as the Bretton Woods Institutions or BWIs.

Btcotton

A genetically engineered strain of cotton by Monsanto which was supposed to be resistant to the bollworm, therefore requiring fewer pesticides. Its efficacy has been widely contested. BT stands for *Bacillus thuringiensis*, a spore forming bacterium that is toxic to many insects.

Compliance AdvisorOmbudsman (CAO)

The redressal mechanism of the private sector division of the World Bank Group, the CAO provides arbitration services between the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency and parties affected by their projects and programmes.

Capacity building

Capacity building is a term for creating the skills, knowledge, infrastructure and other resources needed to 'sustain' change.

Carbon credit

A certificate that represents the elimination of a single tonne of carbon dioxide from the earth's atmosphere by some means. Carbon credits were devised as a mechanism to reduce greenhouse gas emissions by setting limits for emissions and then allowing countries and industries to buy carbon credits to meet their quota. They were formalised through Article 12 of the Kyoto Protocol. The system of buying and selling carbon credits is known as 'carbon trading'.

Coastal Regulation Zone (CRZ)

Via the Coastal Regulation Zone Notification of February 1991, the Government of India declared the coastal stretches of seas, bays, estuaries, creeks, rivers and backwaters within 500 metres from the High Tide Line and the land between the Low Tide Line and the High Tide Line as protected or regulated areas.

Comparative advantage

The ability of one country compared with another to produce a good at lower cost. Under conditions of perfect competition and undistorted markets, countries tend to export goods in which they have comparative advantage. However, subsidies by governments distort markets and generate unfair competition.

Conditionality

An instrument of power used by financial institutions such as the World Bank, the IMF and bilateral agencies. Often claiming to benefit to the borrower, conditionalities tie lending to policy changes that generally benefit the donor or the donor's stakeholders in the industrialised nations.

Country Assistance Strategy (CAS)

The World Bank's three-year plan that outlines development policy and areas of focus for specific borrower countries.

Department for International Development

One of the major bilateral aid agencies, it is the part of the UK Government that manages Britain's aid to poor countries. Its self-described mission is to lead the British government's fight against world poverty.

District Primary Education Programme (DPEP)

Initiative of the Government of India funded by the World Bank (1993–2003) which claimed to work towards revitalising the country's primary education system and to achieve five years of primary education (as opposed to the eight years committed by the Indian Constitution).

Dumping

Practice of exporting goods at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third-country markets, or at less than production cost. As per the World Trade Organization (WTO) negotiations, if a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be 'dumping' the product.

Environmental Impact Assessment (EIA)

One of the ten environmental and social Safeguard Policies of the World Bank, it is used to examine the potential environmental risks and benefits associated with Bank lending operations.

Financial markets

In economics, a financial market is a mechanism that allows people to easily buy and sell (trade) financial securities (such as stocks and bonds), commodities (such as precious metals or agricultural goods) and other fungible items of value at low transaction costs and at prices that reflect the efficient market hypothesis.

Fiscal Responsibility and Budgetary Management Act (FRBMA)

Signed into law in 2003 under pressure from the International Monetary Fund and the World Bank, it requires that the Indian revenue deficit be eliminated by 2010, largely through cutting expenditures on rural development and employment generation.

Foreign direct investment (FDI)

Acquisition of physical assets or stock in a country by foreign entities for the purpose of (management) control. FDI is defined by ownership of at least 10 per cent of a foreign business.

Foreign exchange reserves

Foreign currency deposits held by central banks and monetary authorities which are viewed as necessary insurance against potential currency crises.

Formal sector

Employment sector containing jobs that carry employment rights and through which taxes are paid.

Group of Eight (G8)

International forum for the governments composed of eight powerful industrialised countries which represent about 14 per cent of the world population, 65 per cent of the world economy and almost all of the world's nuclear weapons—Canada, France, Germany, Italy, Japan, Russia, the UK and the US. There is a movement to expand the group by including five developing countries: Brazil, China, India, Mexico and South Africa.

Gross domestic product (GDP)

Measure of the total value of all of the goods and services produced within a country within a given time period, regardless of the producer. As opposed to Gross national product (GNP) which is the value of all goods and services produced in a country in one year, plus income earned by its citizens abroad, minus income earned by foreigners in the country.

Genetic engineering

The science of altering the DNA of living organisms directly to produce a new trait in an organism or to make a biological substance, such as a protein or hormone. Presented as a means to solve global hunger by its proponents in the field of agriculture, it is debated for its potential adverse health and environmental impacts, the role of intellectual property rights, as well as for its cultural and religious implications.

Globalisation

Most generally it refers to the creation of a global economy through opening up goods and capital markets. A process that has been ongoing for some 500 years, it has accelerated since 1945, and then again (although less significantly) since the fall of the Soviet Union. Detractors of the push to create global markets insist on the importance of local markets and the dangers of the global economy which disproportionately benefits the countries of the North. It is also known as 'corporate globalisation'.

Green Revolution

A new form of agriculture introduced during the 1960s and 1970s in developing countries, ostensibly to increase food production. Traditional forms of agriculture were replaced by high-yielding varieties of seeds, farm technology, increased irrigation and chemical fertilisers and pesticides. Promoted by USAID and the World Bank, it created huge profits for agro-industry and its success remains highly contested.

International Bank of Reconstruction and Development (IBRD)

The original institution of the World Bank Group created in 1944, it lends money to middle-income and creditworthy poorer governments at near-market interest rates.

International Development Association (IDA)

One of the institutions of the World Bank Group, established in 1960, it lends money to poorer countries at below-market interest rates. IDA provides credits (of thirty-five to forty years with ten-year grace periods on repayment) and grants. The IBRD and IDA share the same staff and headquarters and evaluate projects with the same standards.

The International Finance Corporation (IFC)

Established in 1956 and headquartered in Washington, DC, it is one of the five arms of the World Bank Group which provides loans and equity investments to private companies operating in developing and transitional countries.

Inspection Panel

Created in 1993 to provide a redressal mechanism to private citizens who believe that they or their interests have been or could be directly harmed by a project financed by the International Bank for Reconstruction and Development or the International Development Association. At this writing there have been fifty-two requests for inspection to date, six of which were from India: Uttaranchal Decentralized Watershed Development Project (2007), Mumbai Urban Transport Project (2004), Coal Sector Environmental and Social Mitigation Project and Coal Sector Rehabilitation Project (2001), NTPC Power Generation Project, 2nd Request (2000) and NTPC Power Generation Project (1997).

Integrated Child Development Scheme (ICDS).

The ICDS was launched in 1975 seeking to promote child survival and development through an integrated approach for converging basic services for improved child care, early stimulation and learning, improved enrolment and retention, health and nutrition, and water and environmental sanitation.

International Centre **for Settlement of Investment** *Disputes* (**ICSID**)

World Bank Group–funded arbitration forum established in 1966, it provides arbitration services between governments and foreign investors. As of this writing it has 123 pending cases before it and 152 concluded cases (none of which were filed by India).

International financial institution (IFI)

The term IFI generally refers to an organisation funded by multiple governments which provides financial assistance for development projects and business ventures. The World Bank Group is the largest of these institutions. Other IFIs include the International Monetary Fund and regional banks such as the Asian Development Bank. Sometimes included in this category are EXIM Banks and Export Credit Agencies.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

A programme for urban development funded by the World Bank and the Government of India which links reforms of urban governance to state funding for urban infrastructure and the urban poor. Controversial conditionalities in the programme linked to state funds include the reduction of stamp duty and the repeal of the Urban Ceiling Act.

Kyoto Protocol

The Kyoto Protocol is an international agreement adopted in 1999 and entered into force in 2005, linked to the United Nations Framework Convention on Climate Change. It has set binding targets amounting to a 5 per cent reduction in greenhouse gas emissions over 1990 levels for thirty-seven industrialised countries and the European community. To date, 182 Parties of the Convention have ratified its Protocol, including India. Despite the very low targets, the United States has not signed the treaty at the time of this writing.

Microcredit

It extends small loans to very poor people, the unemployed and those living in poverty. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.

Multilateral Investment Guarantee Agency (MIGA)

A member of the World Bank Group created in 1998, MIGA's mission is to promote foreign direct investment (FDI) in developing countries by offering political risk insurance to foreign investors and technical assistance to governments seeking to attract foreign investment.

Millennium Development Goals (MDGs)

A United Nations General Assembly resolution adopted in September 2000, which is known as the Millennium Declaration, laid out specific targets for reducing extreme poverty by 2015. The targets are referred to as the Millennium Development Goals. The eight chapters/key objectives outlined in the Millennium Declaration are: (*i*) Values and Principles; (*ii*) Peace, Security and Disarmament; (*iii*) Development and Poverty Eradication; (*iv*) Protecting our Common Environment; (*v*) Human Rights, Democracy and Good Governance; (*vi*) Protecting the Vulnerable; (*vii*) Meeting the Special Needs of Africa; and (*viii*) Strengthening the United Nations.

Minimum Support Price (MSP)

Announced by the Government of India at the commencement of each season based on Commission for Agricultural Costs and Prices (CACP) recommendations, MSPs guarantee farmers a fixed price for twenty-five crops from the government.

Miracle seeds

In 1966, high-yield rice and wheat 'miracle seeds' were part of a package of new agricultural inputs used to increase food production that are known as the Green Revolution. More recently, genetically modified seeds resistant to certain insects are being called 'miracle seeds' by proponents. Detractors refer to them as 'suicide seeds' due to the large number of farmers who are committing suicide in contemporary India.

Monoculture plantation

Groves of a single species which are planted to replace the natural forest ecosystems that have been removed by industry.

Multilateral agency

Organisations that are usually established by intergovernmental agreement.

Multilateral Development Bank (MDB)

Financial institution created by multiple governments to provide loans, policy advice and sometimes grants for economic and social development activities in developing countries. The World Bank and the IMF are MDBs, as are the regional development banks such as the African Development Bank, the Asian Development Bank, The European Bank for Reconstruction and Development, the inter-American Development Bank Group and most recently the Bank of the South.

National Sample Survey (NSS)

Begun in 1950, the NSS is a nation-wide, continuous social–economic survey operation conducted in the form of successive 'rounds' by the Ministry of Statistics and Programme Implementation of the Government of India.

National Rural Employment Guarantee Act (NREGA)

Legislation passed in 2005 which provides a legal guarantee to every adult living in a rural area in India to 100 days of work per year at minimum wage. The legislation has not been effectively implemented in many parts of India and its full (and extended) implementation is a common demand among social movements.

Neo-liberalism

Economic doctrine characterised by a belief in unregulated markets, the efficiency of large-scale privatisation and a reduction in the power of the state and a change in its essential character. The dominant economic discourse since the early 1980s, Margaret Thatcher and Ronald Reagan were among its first proponents.

Organisation for Economic Co-operation and Development (OECD)

Intergovernmental organisation founded in 1961 with thirty members largely from Europe and North America (plus Japan, Australia and New Zealand) committed to open markets and democratic principles. The organisation's mission is to promote a stable global economy by focusing on economic growth, trade, finance, scientific innovation and development.

Polluter Pays model

Principle where the *polluter pays* the full cost of the pollution it causes.

Privatisation

Transfer of public functions and ownership to the private sector. Also, the transformation of public sector governance and operational models into ones resembling corporate management systems with profit seeking and cost recovery models.

Production subsidy

Government payment to producers which assists them in their activities and allows them to produce at lower cost or to sell at a price below the market price.

Public-private partnership (PPP)

Collaboration between the government and the private sector on any activities. Often touted as a way to improve the efficiency and supplement the expertise of the government to provide a public service, such as water or power provision.

Right to Information

The Right to Information Act 2005 permits citizens of India to inspect and obtain information, including documents and samples, held by the central government and by the state governments.

Sarva Shiksha Abhiyan (SSA)

World Bank-funded Government of India initiative to universalise elementary education for children aged six to fourteen years through community-ownership of the school system.

Structural adjustment

Set of 'free market' economic policy reforms imposed on developing countries by the Bretton Woods Institutions (the World Bank and International Monetary Fund [IMF]) as a condition for receipt of loans. Developed in the early 1980s, they allowed these institutions and their stakeholders to gain stronger influence over debt-ridden Southern economies. These policies typically include export-led growth, removal of state subsidies, privatisation of strategic industries and liberalisation of financial and other markets. These policies currently go under the name 'Poverty Reduction Strategies'.

Tariff

A tariff is a tax imposed on imports (and sometimes exports). They are usually associated with protectionism, the economic policy aimed at fostering the local economy by raising the prices of imported goods to 'protect' local businesses.

Technical assistance (TA)

Knowledge-based, advisory services provided by the World Bank to client countries, generally through the form of projects. Examples include a project to provide advisory services to implement public-private partnerships in the water, power and transport industries in 2006.

Trade liberalisation

Reduction of tariffs and removal or relaxation of non-tariff barriers to trade. This is done to promote international trade often at the expense of local economies.

Universal public distribution system (PDS)

Founded in 1939, India's PDS provides subsidised grains to the poor and minimum remunerative minimum support prices to farmers. Initially a universal PDS which gave every citizen of India access to the same entitlement of food grains in 1997, it was changed to a targeted distribution which provided grain to those the government decided were poor, or below the poverty line (BPL).

United Progressive Alliance (UPA)

At the time of this writing, the ruling coalition of political parties of the government of India. The Alliance is led by the Indian National Congress (INC) or Congress party.

Urban Land Ceiling Act

Passed in 1976, it aimed to provide a ceiling on land acquisition in urban areas by small numbers of persons for speculation or profit in order to create an equitable distribution of land and to serve the common good. Repealed in most states, its repeal is now a condition of the World Bank–funded Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a national urban development project.

Uruguay Round

The last round of negotiations under the General Agreement on Tariffs and Trade, which began in Uruguay (1986–1994). Its conclusion led to the creation of the World Trade Organization and it introduced agreements in trade related intellectual property rights and services for the first time.

User fees

Fees charged to users of goods or services (often in the context of those goods or services which are expected to be provided freely by the government).

Water Users Association (WUA)

Cooperative model for local water management where water users share decision-making in planning, implementation, operation and maintenance, management and financial arrangements. In practice, existing social hierarchies may be reproduced in WUAs, undermining their democratic function. Further, they are exclusive as those considered non-users (e.g., the landless in case of irrigation) are not members.

World Development Report

Annual report produced by the World Bank's Development Economics Vice Presidency (DEC). The Report is the World Bank's largest and most well-known research product which focuses on a different theme in development each year.

World Economic Forum

Private member-based organisation made up of the world's largest corporations, which meets annually with selected political leaders to set global economic and trade agendas.

World Trade Organization (WTO)

International institution made up of member governments, which establishes and enforces the rules of global trade in goods and services and intellectual property rights. Closely associated with corporate globalisation due to its focus on eliminating global barriers to trade. The WTO replaced the General Agreement on Tariffs and Trade (GATT) in 1995 and transformed it into an enforceable commercial code.

Contributors

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Following his PhD. in Biochemistry and Molecular Biology from the California Institute of Technology, Sadgopal made policy-level and systemic transformation in education his life-long engagement. He founded the Hoshangabad Science Teaching Programme (1972) in the government schools of Madhya Pradesh and later played a key role in setting up Eklavya (1982) for enlarging the scope of curricular intervention in the formal school system. He served on the National Policy on Education Review Committee (1990), the Central Advisory Board of Education (2004-7), the National Steering Committee of National Curriculum Framework-(2005), and the Common School System Commission, Bihar (2006–7). Also, Former Dean, Faculty of Education, University of Delhi and Senior Fellow of Nehru Memorial Museum and Library. He is today recognised as a penetrating critic of the neo-liberal assault on Indian education.

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A graduate from the Indian Institute of Technology, Kejrival founded Parivartan, a Delhi-based organisation that promotes just and transparent government. He has been an important figure in the creation of the Right to Information Act and is well known for the role he played in exposing the corruption behind the Delhi water privatisation proposal. Kejrival is the winner of the Ramon Magsyasay Award for Emergent Leadership (2006) and the CBN-IBN award for Indian of the Year in Public Service (2006).

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An independent researcher and economist, Shrivastava is currently analysing the implications of special economic zones. His articles have been published by *Counter Punch*, the *Asia Times Online* and others.

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A renowned rights activist and a leader of the forest people's movement for three decades, Chowdhary is a founding member and founding convenor of the National Forum on Forest Peoples and Forest Workers. He has worked extensively with the forest dwelling communities of India and is one of the most radical voices for their rights.

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Patnaik is the Principal Adviser to the Commissioners of the Supreme Court in the Right to Food Case and has been associated with the Right to Food Movement since its inception. The Supreme Court of India appointed Patnaik to assist the Central Vigilance Committee on the Public Distribution System. He was a contributor to the FOCUS Report (2006). He was a co-author of 'Strategies for Children Under Six: A Framework for the XIth Plan' (*Economic and Political Weekly,* December 2007).

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J. John

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A specialist in the sociology of Law, women's studies and human rights, Kannabirin was awarded the VKRV Rao Prize for research in Social Aspects of Law by the Indian Council for Social Science Research in 2003. She writes for *Economic and Political Weekly* and the national edition of *The Hindu*. She is a founder member of Asmita Resource Centre for Women and is currently setting up the Chityala Ailamma Centre for Interdisciplinary Research anchored in Asmita.

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Menon-Sen started her career as a research scientist but subsequently shifted to working with women's groups and grassroot movements. She has been engaged in research and advocacy on women's rights issues for the last twenty years. Her publications include *Women in India: How Free? How Equal*? (New Delhi: UNRC, 2001) and *Swept Off The Map: Surviving Evictions and Resettlement in Delhi*"(New Delhi Yoda Press 2008).

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