Mr Wolfensohn and his falsehoods

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The World Bank is so fast becoming our government that we do not find it greatly surprising to find its President telling us blatant lies.

The World Bank President's declaration that his organisation imposed no conditions for the Power Sector reforms loan to Andhra Pradesh has been refuted by the Opposition parties, but in understandably vague terms. In fact the conditions are not secret or unstated. They have been put down in black and white in a document initialed on 25 January 1999.

Firstly, the loan itself is divided by the document into five instalments. The giving of each instalment is predicated on the fulfillment of the conditions laid down therein. The World Bank cannot seek refuge in the plea that it was only laying down prudent guidelines, nor can it be said that the conditions precedent for the loan instalments are no more than any cautious banker would insist upon. It is one thing to say that the loan, or an instalment thereof, will be given only if the performance of the industry in question is seen to have improved in terms of an index agreed upon; it is quite another thing to lay down social and economic policy prescriptions that affect lakhs of lives as mandatory for achieving that improvement. That is where the line between a legitimate banking operation and usurpation/surrender of the Sovereignty of a democratic polity is drawn, and the agreement dated 25 Jan 1999 has clearly overstepped that line.

What are the mandatory policy directives? One, that governmental subsidy, which accounted for 35% of the State Electricity Board's business in the year 1999, should be reduced to 11% by 2002 and zero by 2007. The very exact figures and dates must be noted. Two, that cross-subsidy, by which the rich were charged more so that the poor could be charged less, a policy that is in tune with our Constitution's directives, should be completely eliminated. Three, that the tariff proposals put up by the Transmission agency for the Regulatory Commission's approval each year must be to the satisfaction of the World Bank. Four, that by the year 2007 (the bench mark year by which the reforms are to be mandatorily completed) the distribution of electricity must be hundred percent in private hands, no matter that this will mean that isolated or remote hamlets will not get electricity since it will not be remunerative for a private organisation to undertake the task of servicing them. Five, that the tariff payable by consumers must increase by 15% for the first two years and 12% thereafter, until the year 2007. Again, the precise figures are to be noted. Also to be noted is that this increase is mandated notwithstanding that the tariff is to be determined, not by unguided executive fiat, but in accordance with very salutary looking principles laid down in an Act made for the purpose, and by an independent and quasi-judicial Regulatory Commission set up for that purpose.

It is therefore evident that Mr Wolfensohn was telling lies.

The World Bank President has also taken credit for giving a substantial loan to Chandra Babu's government for poverty alleviation. But it is, firstly, a loan, even if it carries a low rate of interest. Why should not the State's own resources be used for that purpose – or as much of it as possible - instead of a loan? On that, the policy prescriptions of the World Bank leave little doubt: as little as possible of Society's savings should get into the hands of the State, because that way lies fiscal profligacy and economic disaster, or so the new wisdom says. And then, as much as possible of the resources that do get into the State's coffers must be put to use for developing the high-tech and high-cost infrastructure that multinational Capital needs if it is to grace these wretched lands. Therefore the State's capacity to undertake welfare on its own is deliberately throttled, to be substituted by Mr Wolfensohn's benevolence.

Secondly, the World Bank's model of restructuring puts a high premium on the capitalisation of all natural resources. Land, water, forests, the sun and the rain are not means of or support for livelihood but instruments of capital formation. These natural means of livelihood – of `poverty alleviation' - are put out of the reach of the poor, and reserved for the engines of growth. Our governments, which are still beholden to the votes of the poor for being in power and are therefore more cautious than the World Bank, are frequently faulted for not moving fast enough in giving effect to this policy prescription. That all this is camouflaged by rational sounding verbiage that is calculated to confuse the most intelligent cannot hide its true meaning. And if at the end we are given some funds, even a large amount of funds, for the poverty alleviation that is better served by giving the poor access to the natural means of life and their immediate derivatives, are we expected to applaud Mr Wolfensohn's generosity?

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