

## **Andhra Pradesh and the World Bank**

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Andhra Pradesh is the first state in the country for the World Bank to set its foot at the state level with its unconcealed intention to gain political, administrative and economic control over the state. In fact, it's the first experiment of World Bank in the whole world to skip the central governments of a country (of course not without the consent of the central government) and straight away enter at the state level. It has its own reason: through WB dictated economic reforms were accepted and implemented by the Central government in 1991 itself, the reforms agenda didn't percolate into the states, particularly in such a large country like India and therefore decided to make a state as its point of entry. WB chose Andhra for two reasons:

- 1) They noticed Chandrababu Naidu is power hungry which could be seen in his palace coup, overthrowing N T Ramarao and the pressure he created across the country about his readiness to occupy Prime Minister's seat; his statement that he will rule the state for 20 years as Communists did in Bengal.
- 2) As soon as he took over, he met World Bank representatives in Delhi and discussed the economic situation in the state and his penchant for IT. Taking advantage of his readiness, senior journalist stationed at Hyderabad to go to any lengths- his backstabbing his own father in law NT Ramarao and coming to power and chose Andhra as their first target.

The Government of Andhra Pradesh has been negotiating for nearly 2 years since 1996 on the plea that the loans would give a great lift to the all round development of the state, while keeping the negotiations shrouded in mystery. He never took the people into confidence nor consulted the other political parties. Modernization of the State and its administration was his MANTRA, with which he sought to mislead the people. World Bank quickly produced a report entitled "Agenda for Economic Reforms in AP" (AERAP).

To put its agenda in short:

1. Reductions of ration cards by 35%
2. Increase agricultural power tariffs
3. Increase water tax
4. One percent cut in employees
5. No further recruitment
6. User charges in hospitals
7. Liquidation of public sector
8. Restructuring expenditure
9. Entrust the responsibility of irrigation to Water Users' Associations (WUA)
10. Recover maintenance costs from farmers
11. Restructure AP Electricity Board
12. Privatization of industrial sector

Having signed on the dotted line, the State Government went full steam ahead and the decline went on equally fast.

The agreement took the shape of ‘VISION 2020’ document, which was drafted by foreign consultants wherein the targets in key areas were set, dos and don’ts incorporated and a rough estimate of investment was spelt out. It was only a draft, which was to be finalized after ascertaining the views of the public. A few indoor meetings of academics and intellectuals were held but the formal version never saw the light of the day. Implementation however went on, with disastrous results in all sectors, especially agricultural, upon which 70% of the State’s population survives.

In order to cover up its evil intentions, World Bank saw to it that what was being implemented wasn’t in the policies dictated by it, but decisions taken by the State government itself. Committees of different departments were constituted which merely repeated the dictates of World Bank. The policies of the WB were publicized as the recommendations of these committees. What are the results?

1. Rural Andhra Pradesh was dropped from government’s agenda and the development of Hyderabad was the sole / whole preoccupation.
2. Agriculture suffered badly (part of it is due to adverse regional conditions)
3. Irrigation was neglected to a point when there was no sector in the canal and bore wells went dry.
4. More drop outs from schools than ever before.
5. Power shortage haunted the state and proved a disincentive for industrialists to come and set up industries.
6. Existing industries were either privatized or closed down, while no new industry came up. Chief Minister’s attempts to attract industries by his visits to developed countries and organizations of industrial jamboori in Hyderabad in collaboration with CII proved abortive.
7. Financial position went from bad to worse. All the money collected through taxation, market laws, central government loans, raising resources through public sector organization didn’t help, resulting in more and more dependence on World Bank loans and conditionalities. Successive state budgets since 1983 were dogged by revenue deficits, costs etc. This proved to be a fertile ground for World Bank to further drag the state into its net. Loans were raised to meet development needs, but it turned out that most of the loan amount was spent on current expenditure, leaving little for development.
8. Despite the Constitution Amendment Act which gave constitutional status to village panchayats, powers, resources and staff weren’t transferred to panchayats; on the other hand, village committees were constituted for education, health etc, making the functioning of panchayats formed. This vital administrative system was loyal to the cm. World Bank went on looking at this development silently since such a system suits the interest of private sectors and corporates, who were destined to enter the rural scene sooner or later.
9. Visits of World Bank representatives became more frequent; they bossed over the government departments and dictated their dos and don’ts.

10. IT replaced agriculture. It became the sole preoccupation of the Chief Minister. Agriculture took a back seat. This is exactly what USA wanted, which used World Bank as its mouth piece; to neglect or even ignore productive sectors like agriculture and industry and concentrate on services. Both Bills – Bill Clinton and Bill Gates – made visits to Hyderabad to satisfy the ego of Chief Minister. Hyderabad city was put on the world map, claimed Chief Minister. He improved his image both within and outside the country. His ego was satisfied, but the future of the state was thrown to the dogs. Little did he realize that the future of the state was mortgaged to US imperialism, which was bent on bringing the world to its feet after the disappearance of the Soviet Union from the world map.

It is no secret that World Bank isn't a philanthropic organization that helps countries to develop. Its very nomenclature is bank, whose job is to lend money and collect interest so that it can improve the returns to those who gave their money for investment and give better returns than they otherwise would earn in their own country. The World Bank is responsible to its donors and therefore, when it gives a loan, it is camouflage as external assistance and economic support to conceal its real face as a money lender. To be fair to World Bank, it didn't conceal its intentions. See a couple of statements its spokesmen made long ago:

“Very little of the money lent in aid stays in the developing countries. Almost all of it returns quickly in payment for the goods purchased in the richer countries. It is our role in World Bank to look at the world money market as a whole and where are surpluses and reserves that can be tapped.”

Robert McNamara, President, World Bank

“The World Bank and regional development banks encourage growth which increases the demand for US exports, which, in turn, generates employment in USA.”

Mr. Bersten

“Bank was established to mobilize and stimulate the flow of private investment and its role wasn't so much what the bank could lend out its capital could move into the international field”

Mr. Bersten

The post reform scene in AP belies the claim of World Bank that the image of AP has begun to change as a result of reforms. But, a quite contrary picture emerges from the human development index (HDI) brought out by the planning commission. The state has slipped down between 1991-2001. The HDI for major Indian states shows that AP between 1981-2001 has slipped from 9<sup>th</sup> to 10<sup>th</sup> rank. Tamil Nadu however, improved from seventh to third and Kerala maintained its first rank all through. Of the 14 indices of human development, in the four southern states, AP stood last in respect of ten indices: growth of SDP in 9<sup>th</sup> plan, per capita GDP in 2000-01, literacy rate in 2001, infant mortality rate in 2001, male and female life expectancy, HDI in 2001, gross industrial output and value added in industries. Its overall rank is four. To be more specific, in terms of industrial development as on Sept. 2005, AP trails behind Maharashtra, Gujarat and Tamil Nadu. The gross per capita industrial output in AP is one of the lowest. This is also the same with per capita value addition, which is a consequence of low productivity. This again is directly related to the low level of technology. And yet, the state

government talks tall of the high technology coming to power, which is a critical infrastructure. AP trailed behind Tamil Nadu, Maharashtra and Punjab in terms of KWH. AP is miles behind other states in terms of per capita bank deposits. In respect of finances, apart from running fiscal deficits and its dependence on external loans, even for plan expenditure, the state is not able to create capital assets due to the deceleration of capital expenditure. That it is so is admitted by the government in the memorandum to the 12<sup>th</sup> Finance Commission. The reforms have thus accentuated the fiscal problems of the state. The state had to run to RBI for overdraft on every single working day in some years after the introduction of reforms. Reverse expenditure has increased from 86.35% in 1995-96 to 88.03% in 2003-04. Public debt has ballooned from Rs.15163 crores in 1995-96 to Rs.57588 crores in 2003-04 and lately to over Rs.80000 crores. The state is paying an average of Rs.22 crores every day as interest on loans. Take any parameter on the fiscal front, there is nothing to write home about.

**POLITICALLY**, the impact of World Bank funding resulted in most undemocratic and autocratic behavior on the part of decision makers. As already mentioned, even the most important document like Vision 2020 wasn't placed before the legislature for discussion and reaction. Despite scores of policy changes during 1994-2006, none of them were scrutinized by the legislature. Sometimes, even the state cabinet didn't discuss and approve key policy changes. The then chief minister has said on record that power tariff reduction wasn't in his hands and that the World Bank wouldn't approve it. Thus the political class in the state lost all it's authority and completely surrendered its powers to an external agency, which in turn ruled the state through bureaucrats.

**FINANCIALLY**, people of the state had to bear the burnt of these developments with a major chunk of the SDP being spent on debt servicing. The state, with an external debt of about Rs.60000 crores, was pushed into a debt trap where one had taken new loans and interest payments.

**CULTURALLY** the people were forced to believe in consumerism, selfishness, acquisition and money mindedness, thanks to the influence of the all pervading value system created by World bank dictated reforms. A small minority of middle class and upper class reaped the benefits of the new economy. A small minority of middle class and upper classes reaped the benefits of the new economy and they became the role models for the rest of the society. While those who didn't, the reap the fruits of these changes started feeling about the worthlessness of their hiring or attempting to imitate the upper classes in acquiring money by hook or by crook.

Due to cuts in welfare spending on education and health, the social welfare sectors suffered heavily leading to a lot of deprivation. Increasing corporatization of education and health added fuel to the fire. While poverty, unemployment, deprivation and illiteracy were growing at a high speed on the one hand, access to modern gadgets and garish lifestyles, astronomical salaries and an ultra modern service sector began growing on the other. Obviously, this kind of social rupture would lead violence.

**AGRICULTURE:** When one discusses agriculture, what strikes one in one's face is suicides of farmers. Food grain production may have increased but at the same time suicides have also increased thanks to the World Bank dictated reforms faithfully implemented by the previous and present chief ministers. There is no day on which a suicide of a farmer is not reported. It goes without saying that the victims of suicide are

invariably marginal and small farmers. Non-availability of institutional credit, increase in the cost of fertilizer due to cuts in subsidies, a conditionality of the World bank, increase in production cost due to an increases in power and irrigation tariffs, both of which were also dictated by the World bank, the usurious interest rates of the money-lenders, and the switch over to commercial and cash crops from food grains, as advocated by World bank, forced farmers to commit suicide. How are the actions and objects served by these suicides? Let us see, the USA requires a market for their food grains, the production of which is heavily subsidized. With a 110 crore population, India offers an unlimited market but, India is on its way to self-sufficiency. If it becomes so, this market will disappear. So something had to be done to thwart India's attempts at self-sufficiency. Already the World Bank has managed to make India import food grains in 2006 and 2007. Secondly, it has imposed policy measures, which make agriculture unremunerative. This is corroborated by the recent NSS survey, according to which 40% of Indian farmers are willing to quit agriculture in the event of an alternative offered to them. Thirdly, farmers are encouraged to produce more and more cash crops and non-food crops. Fourthly, corporates have made amnesty into rural areas with contract farming proposal. Fifthly, many villages in Andhra Pradesh look deserted, with laborers and small and managerial farmers migrating to town in search of work. Sixthly, census figures for A.P. show a gradual decline in the number of farmers and an increase in the number of agricultural laborers. The situation is quickly deteriorating, which is exactly what World Bank its boss the USA wants. However it may be added here that these developments forebode ill to the farming community as well as for agriculture. For, the corporate sector and multinationals want lands to produce such crops which can't be grown in cold countries and produce crops which provide the raw materials for agro-processing industries, which may possibly provide employment to a few. This explains why in the APERP document, the World Bank gave green signal to AP government to recruit more teachers, even though it wanted the government to reduce its number of employees. Agro processing industries require labor who can read and understand manuals. Recruitment of agro-laborers and training them is less costly than bringing labor from the towns and cities. Similarly, while the present government's focus on rural areas, especially with regard to irrigation is welcome, it should be noted that the water flowing through the canals will only benefit future land holders, i.e. corporations and MNCs. The small and managerial farmer has a bleak future, which is already knocking at his door.

IT: Seeds for the development of IT were planted by the erstwhile chief minister and watered by the present one. Thousands of AP graduates have settled in USA. While the international giants in this sector have recruited them to serve in USA, now the trend seems to be the establishment of corporate offices in Hyderabad itself, and paying the staff much less than what the MNC would have paid in their own country. Even then, the salaries paid to them are still highly attractive. Catch any young man on the street and ask what is he doing and the answer is IT. To MNCs India's IT sector offers cheap labor, however, for India the implications have been quite different. Firstly, this new source of employment has encouraged consumerism, an acquisitive mentality and money mindedness among this section of the middle class, thanks to World Bank reforms. Patriotism and love for the country are fast fading away.

Not only is the distance between the poor and rich becoming wider and wider, the distance among middle class sections too is becoming wider, prompting the lower middle

class by any means, fair or foul, to try and enter the upper income bracket. There is a limit for the IT industry to absorb employment, and this will eventually lead to greater educated unemployment and more unrest. In the enthusiasm for the success achieved in the IT sector, the country has neglected other disciplines and we can now feel the pinch an inadequate supply of civil engineers. The basic fallacy that has encouraged investment in the IT sector is the lack of realization that IT is only a service and not an industry. This gives a bloated picture of the development of the state.

To conclude-

A.P. has been sold away to the WB. Did we fight British imperialism only to walk into the parlor of US imperialism? Political slavery is replaced by economic slavery. Some people talk of a second freedom struggle. But what is required is the continuation of first freedom struggle itself in order to secure economic freedom. This means fighting against the World Bank and its processes.