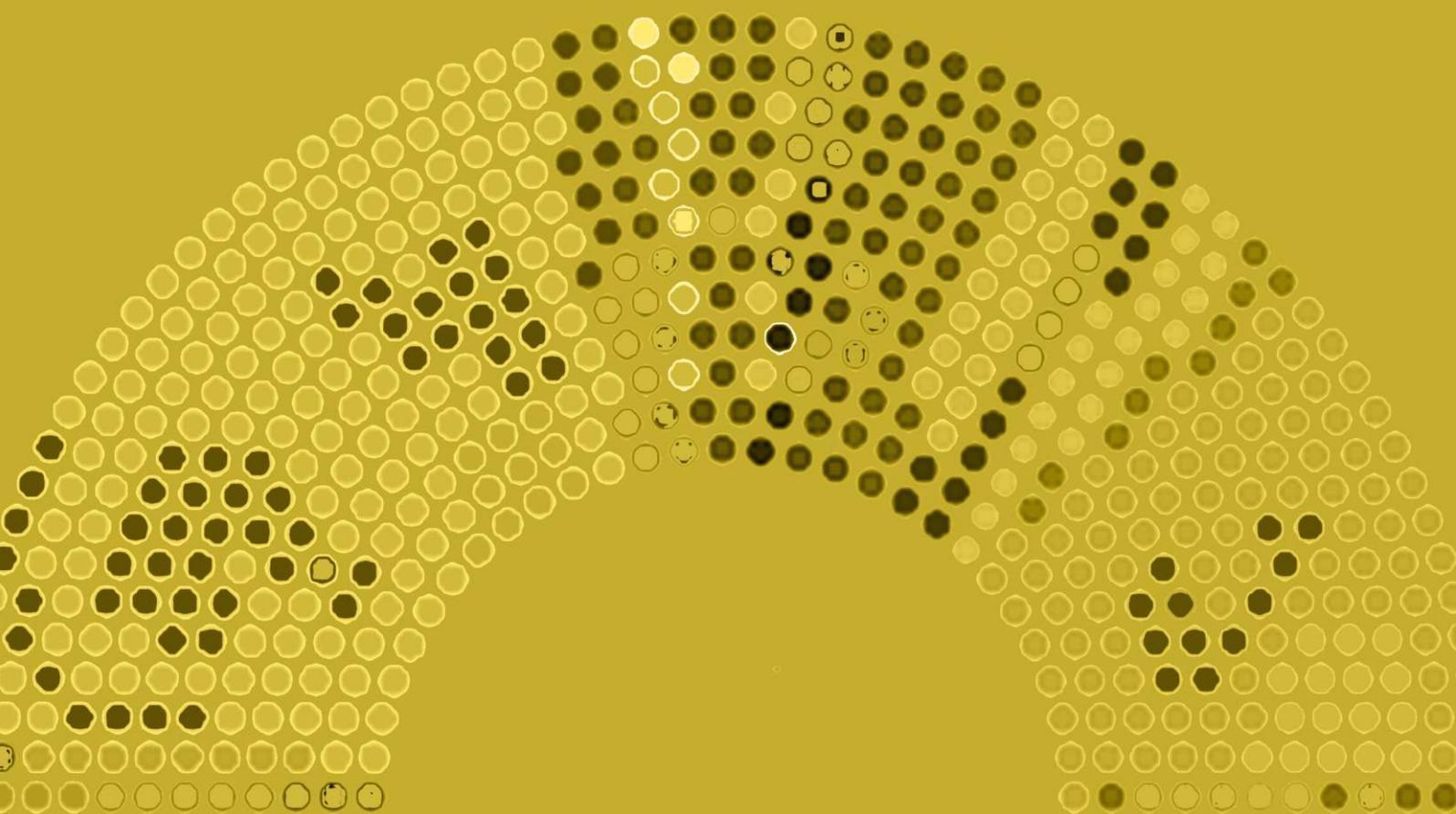


Parliament Supremacy Undermined?

An Analysis of Parliamentary Debates in India on
International Financial Institutions (1984-2009)



Working Group on International Financial Institutions

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Members of the Working Group on IFIs include: NGO Forum on ADB; National Alliance of People's Movements; National Hawkers Federation; National Forum of Forest People and Forest Workers; All India Forum of Forest Movements; Bharat Jan Vigyanjatha; North East People's Alliance; South Asia Network on Dams, Rivers and People, New Delhi; Narmada Bachao Andolan; Nadi Ghati Morcha, Chattisgrah; Programme for Social Action, New Delhi; Focus on Global South, New Delhi; Delhi Forum, New Delhi; Odisha Chas Parivesh Suraughya Parishad, Odisha; Machimar Adhikar Sangharsh Samiti, Gujarat; Manthan Adhyayan Kendra, Madhya Pradesh; Toxic Watch Alliance, New Delhi; Water Initiatives Orissa, Odisha; International Rivers; Kabani, Kerala; INSAF, New Delhi; Srijan Lokhit Samiti, Madhya Pradesh; Ban Asbestos Network in India, New Delhi; Bank Information Centre Trust, New Delhi; DICE Foundation, Kohima; Environics Trust, New Delhi; Environment Support Group, Bangalore; Equations, Bangalore; Intercultural Resources, New Delhi; Matu People's Organisation, Uttarakhand; River Basin Friends, Assam; Urban Research Centre, Bangalore, Centre for Financial Accountability, Delhi.

Dedicated to the memory of
SMITU KOTHARI

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This work would not have seen the light of the day, had it not been for the scores of those associated with conceiving, strategising and implementing the project. Each and every discussion on it, every word written about it has been an inspiration, for over a decade now, from the initial days when Smitu Kothari and a few others initiated discussions on the Parliamentary Oversight on International Financial Institutions (IFIs) in the mid 2000s. It was a result of years of struggles against and engagement with the World Bank, ADB and other IFIs by a large number of people's movements and other civil society organisations on several issues, notably the negative impact on people and environment in the projects financed by the IFIs.

Naming each and every organization and individual in this document would be impossible. However, we acknowledge that this document is a result of the collective work of many over several years.

Many have tirelessly worked to collect information on the debates and discussions about this issue facing a dispassionate response from libraries across Delhi, including the Parliamentary library. They include Supriya, Pravin, Krishna, Rajesh, Rajat, Mayuresh, Naushad, Shibayan, Shivani, Abida, Ayushi, Sahana, Priyadarshi and Pallavi. At different stages we benefited from discussions with, and contributions from Vijayan, Sanjeev, Madhuresh, Rajendra Ravi, Soumya, Chad, Jelson, Pragya, Anuradha and others. Manisha helped editing the draft report in record time. A big thank you to all.

Introduction

Consistent with the Busan process, explore the possibility of producing and providing guidelines for donor organisations to support their work within recipient countries by engaging with parliamentarians, so that the design of projects are responsive to the countries development needs and adequate parliamentary oversight can be exerted over donor funded programs and projects.

-- Resolution at the Global Conference of Parliamentarians against Corruption, 2 February 2013, Manila, Philippines.

Let us do the arithmetic of our external accounting under the public glare. There has been too much of hush-hush since 1984. There has been no accountability and the same set of politicians and civil servants who have been responsible for pauperising the nation continue to hog the center-stage.

-- Dr. Ashok Mitra, Former Finance Minister, Government of West Bengal (in an interview with Venkatesh Athreya, Frontline, 6 February 2015).

...5 billion SDR arrangement about to be concluded between the IMF and the Government of India... The 69-page, closely-typed document has been made available to this correspondent by one of the 22 Executive Directors of the IMF. He explained that he was breaking the confidentiality rule not in order to prejudice the loan, but solely because he was persuaded that a transaction of this scope and size by any country deserved to be "discussed in full by its Parliament, press and public". {Emphasis is in original}

-- N. Ram, Former Editor, The Hindu, Conditions which IMF will impose for loan, The Hindu, 16 October 1981.

I want to emphasise just this, that this loan or the agreement for the loan, is a line of credit. It does not force us to borrow unless it is for the national interest. There is absolutely no question of our accepting any programme, which is incompatible with our policy, declared and accepted by Parliament... It is inconceivable that we should accept assistance from any external agency on terms, which are not in conformity with our declared national policy.

-- Indira Gandhi, Former Prime Minister of India, in a speech to the Indian Parliament. Lok Sabha Debates, 2 December 1981, New Delhi, IN: GOI Press.

National Democratic Institute, a democratic think-tank based in the United States, defines Legislative/Parliamentary Oversight as, "*the obvious follow-on activity linked to law making. After participating in law-making, the legislature's main role is to see whether laws are effectively implemented and whether, in fact, they address and correct the problems as intended by their drafters.*"¹ ² Parliamentary oversight can thus be considered a fundamental and critical oversight body in advancing transparency, accountability, and responsible governance within a democratic polity.

¹ National Democratic Institute, "Strengthening Legislative Capacity in Legislative-Executive Relations", *Legislative Research Series*, Paper #6, Washington DC, 2000, p. 19, accessible at: <http://www.mickikaminska.com/GOPAC/Docs/Global/Strengthening%20Legislative%20Capacity%20in%20Legislative-Executive%20Relations%20-%20NDI.pdf>

² In this report the term Legislature is often and interchangeably used with Parliament. While in India Legislatures are supreme representative governing bodies of the State Government, Parliament is the supreme representative governing body at the Centre.

International Financial Institutions' (IFIs), such as the World Bank, International Monetary Fund, Asian Development Bank, etc., engage with a country employing a range of policy interventions and advancing technical and monetary assistance that impact large swathes of a country's economic policy and financial management systems. Besides, they play a strong and influential role in shaping governance interventions, in addition to influencing particular types of developments in industry, infrastructure, urbanisation, agriculture, health, education, power sector, finance, etc. All these are generally promoted as interventions and investments that advance poverty alleviation programmes, industrial and infrastructure development financing and also financial bailouts in times of economic distress which are associated with stern austerity measures.

Several decades of global experience with IFI led economic interventions provide extensive evidence that the projected objectives have not been delivered. Quite often, the impacts of such interventions has resulted in tearing prevailing social and economic fabric of societies, causing massive economic slumps affecting working classes, and inequitably promoting imprudent and inhumane governance systems that protect international capital and investments over fundamental rights. Countries across Asia, Africa and South America, and more recently even Greece in Europe, have suffered serious consequences by embracing IFI initiated economic policies and programmes. Despite such extensive evidence of the systemic failures of IFI led economic and financial polices, the public at large is given to believe that these are necessary for a safer and secure world. This is largely the outcome of a systematic effort to disinform the public's understanding by limiting, or even actively denying them, their due right to being truly literate and aware of the nature of the long term implications of IFI led interventions. As a part of this process, communities and peoples representatives are not involved in directly engaging with decision making pertaining to IFI led economic and fiscal policy decisions.

Such deliberately built-in opaqueness in IFI led economic policy making is in many ways designed to protect the politically powerful, who comply with such directives of the IFIs in shaping national economies in particular ways. Influenced entirely by neo-liberal economic policies that ensure protection for the powerful and influential and their access to and control of capital, IFI led economic policies give no room for any other way of thinking for building national and regional economies with the interests of common people being central. The outcome, invariably, is a process of collusion between politically powerful decision makers and the beneficiaries, largely large corporations, the rich and powerful financial institutions, and the associated in-transparency breeds deep corrupt practices. This has been the story, be it in South Korea, or Thailand, or India, in many countries of Africa and South and Central America, where IFI led economic policies have had a major play in shaping national economic policies. In each and every one of these countries, the result has been massive and recurring political instability.³ Notwithstanding such evidence, governments still seem rooted in a conviction that IFIs are essential to developmental effort. Rarely have IFI

³ Globalization and Its Discontents, Joseph E. Stiglitz (2002)

prescriptions been subordinated to the power of sovereign review of Parliamentary institutions, and taking public into confidence.

It is in this context that the Indian Parliament's role as a crucial intervenor in such programmes and polices come into focus, particularly its Constitutional responsibility to inscrutably ensure IFI led policies and programmes are supportive of democratic governance. Quite naturally, this would involve Parliamentarians continually engaging in a dialogue with citizens about the nature and impacts of IFI backed schemes, projects and programmes. This would necessitate sourcing and dissemination of information about IFIs and actively soliciting feedback. Parliamentary proceedings that focus on debates and discussions to hold accountable the Government of the day and to ensure that it works to serve peoples aspirations is of paramount importance. As this study reveals, there has been comprehensive absence of such debates in the Indian Parliament, thus raising serious questions if ours truly is a representative democracy. This study, which is based on reviewing 25 years of Parliamentary Q&A about IFI related concerns in India, indicate that there has rarely been a substantive debate on IFI interventions in India and highlights the massive democratic deficit that exists.

A Brief History of IFI lending to India

The first World Bank loan to India was sanctioned in 1949 for an amount of \$34 million. This was advanced to increase efficiency of railway operations,⁴ and grew to \$611 million over the first decade (1949-59). The interest rates charged were heavy, which a developing country like India found very difficult to sustain.⁵ Over time, this created a condition of indebtedness. Such policies were constant to World Bank interventions in all developing countries. Several, in fact, could not recover from massive loan burdens. In small and medium economies, the loan burdens were substantial and resulted in collapses of national economies and consequent political instability. Even large economies were not spared this experience, as was the case with Brazil, for instance.

This political and economic paralysis that resulted from World Bank led investments were always exploited by the International Monetary Fund. Destabilised national economies were forced to embrace Structural Adjustment Programmes which involved imposition of fiscal discipline that forced austerity measures on social spending, thus hurting the middle classes and the poor the worst. As World Bank and IMF interventions were exempt from sovereign country oversight systems, it was basically a free run that these institutions have enjoyed now in advancing their economic agenda for decades now. By design, such economic interventions were essentially negotiated with executive wings of recipient governments, and with no Parliamentary oversight whatsoever. Such undemocratic practices have been systemically employed in countries across the world wherever IFIs have had a major say in shaping economic policies and developmental priorities.

⁴ Railway Project; Project ID – P009588, Approval date – Aug 18, 1949, <http://www.worldbank.org/projects/P009588/railway-project?lang=en>.

⁵ Both ENDS Information Pack 11 “Multilateral Financial Institutions” (2001) <http://www.bothends.info/service/ipmfi.pdf>

International Development Association (IDA) was established in 1960 as a wing of the World Bank. IDA loans carry low interests and extended repayment periods. Such measures were undertaken to stymie mounting global criticisms that World Bank policies were hegemonic and against the interests of the poor. Even in the process of extending such credit, IDA insisted on conditionalities. Quite often, the conditionalities involved acceptance of economically unviable and socially and environmentally disastrous mega projects, promoted as part of a paradigm of development paradigm that viewed industrialisation as the only path to human progress. These mega projects often came packaged with technical support systems that revolved the loan monies back as payments to corporations from western economies that had the technical knowhow to build such projects. Over time, such processes of development resulted also in causing debilitating impacts on developing economies that were unable to sustain the loan burdens incurred in building such mega projects. In the process, during the decade of the 1960s, the volume of loan from the World Bank trebled to \$1.8 billion.

In the meantime, with the intention of fostering faster economic growth and cooperation in Asia, the Asian Development Bank (ADB) was conceived in 1966 on similar lines as the World Bank, based on a resolution passed at the first Ministerial Conference of Asian Economic Cooperation held by the United Nations Economic Commission for Asia and the Far East in 1963.⁶ ADB was formally established in 1974 with the objective of promoting food security and rural development. ADB also provided low interest loans to members as it gradually expanded the scope of its support and influence to several other sectors including urban planning, infrastructure development, education, social sector, etc. It was not until 1986 that ADB started its operation in India and that with a \$586 million loan extension.⁷ Over time, however, ADB has been increasingly supporting urban and infrastructure development projects. The current exposure of ADB in India amounts to \$2.6 bn and is primarily in the sectors of energy, transport and water and other urban infrastructure and services.⁸

In addition to being a recipient to loans and aid mechanisms from IFIs, India also has received bilateral economic aid. This started with the advent of the Second Five-Year-Plan (1956-1961). The primary objective of receiving this aid was to augment development of heavy industries and large infrastructure projects. India's political alignment with the Union for Soviet Socialist Republics (USSR) in the initial decades after independence influenced the evolution of a socialist approach to economic development as a national goal. But India also needed assistance from the West, especially in terms of capital and technology. Western economies extended support but this often came as a part of an economic development paradigm promoted by World Bank and IMF that they comprehensively controlled. In exchange for supporting India's developmental processes, they demanded the opening up of India's markets to foreign direct investment in core and service sections and also liberalisation of a variety of industrial and fiscal policies. Bilateral aid, in many ways, was thus part and parcel of the policy of globalising Indian economy.

⁶ ADB website <http://www.adb.org/about/history>

⁷ Ministry of Finance, Govt. of India http://finmin.nic.in/the_ministry/dept_eco_affairs/MI/18-Brief-ADB.pdf Ministry of Finance, Govt. of India

⁸ ADB Member Fact Sheet <https://www.adb.org/sites/default/files/publication/27768/ind-2015.pdf>

For instance, bilateral aid from United States Agency for International Development (USAID) was initially limited to agriculture and primary sector industries. In recent decades, USAID has played a very influential role in promoting particular types of agrobiotechnological interventions which benefit American corporations such as Monsanto. For example, Agricultural Biotechnology Support Programme explicitly supports introduction into India of B.t. Brinjal, Monsanto's controversial and proprietary controlled genetically modified food. There have been serious violation of India's biodiversity protection laws, and also cases filed by the National Biodiversity Authority against the company and collaboration universities on grounds of biopiracy. In much the same way, the laudatory intentions of USAID extending support across the world has, on closer scrutiny, been exposed as extended the global reach and influence of the American State and Corporations, often with secrecy in their approach. In 1966, then Secretary of State Dean Rusk made no bones about USAID's global strategy. Depositing before the House Committee on Foreign Affairs, he explained the true intent of USAID financing projects world over as:

“with relatively small and necessary exception all the funds now being appropriated for aid programmes will be spent in the USA. As you know, AID is in the business of exporting US goods and services, not US dollars”.⁹

The situation is no different in USAID's functioning today.

The first three Five-Year-Plans of India (1951-1966) indicate that about 54.7% of the entire foreign economic support received by India was from the US. More than half of the US aid (\$7.25 billion) to India was in form of food grains, the other half going to non-military, economic development and relief projects.

Over time, India's stated goal of indigenising production by investing in the public sector and of building self-reliance in production of goods and services has weakened. This has been particularly marked from the 1990s when India's foreign exchange crisis was exploited by IFIs to force open the economy by promoting globalisation of trade, liberalisation of markets and privatisation of goods and services, in exchange for loans to save the country from an economic crisis. In subsequent decades, the result of the conditions imposed has been the systematic phasing out of public sector investments in several critical sectors. The State's role has also substantially diminished in determining economic, industrial and trade policies.

With the emergence of the World Trade Organisation, Northern, predominantly West European and North American economies, began to control global economic trade. In the process, they bolstered the protection of proprietary technologies controlled mainly by Western Corporations, expanded their capabilities to influence financial markets investing in industrial and infrastructure development ventures and controlled global trade in goods and services to benefit western corporations. Even after factoring in the emergence of home grown industrial empires, a substantial part of the industrial development and trade in Southern countries is now controlled, or dominated, by

⁹ Singh, R. S., (1989), *Indo-Soviet Co-operation and India's Economic Development*, Delhi, Deep & Deep Publications

Transnational Corporations from Northern economies. Sites of production have shifted from Europe and North America to Southern nations due to supply of cheap labour and easy access to natural resources despite extensive human rights violations, and also the ability to pollute with impunity. This has helped create wealth corporations, and weak national economies. Even the spread of the wealth amongst the citizenry has been skewed, with the working classes and the poor taking the biggest hit, while the wealthy few have garnered unprecedented supernormal profits. The situation has become systemic to India today and is resulting in widespread discontents and associated social violence.

Demand for Parliamentary Oversight over IFI engagements

That the Parliament is the highest oversight and law-making body of the country cannot be overstated. Similar roles are performed by the Legislature at the State level. To ensure planning and development is accessible to the people at a level closest to them, the Constitution was amended twice in 1992 to introduce the Constitutional 73rd Amendment (Panchayat Raj), Act and Constitution 74th Amendment (Nagarpalika) Act guaranteeing consistent local governance through village, ward, city and district level planning and representative oversight bodies.

The power to demand information on all public matters and projects, to debate and review policy-making, schemes and programmes, are critical preconditions for enhancing transparency and accountability in the functioning of the government at any level. Any effort to belittle Parliamentary oversight on public policy and investment, and that by involving Legislatures and Local Governments at appropriate levels, would amount to belittling the Constitutional promise of delivering a transparent, accountable and representative democracy to the people. There have, of course, been various deficiencies in the functioning of these institutions, but none more marked than the lack of oversight over IFI engagements and interventions in India. As this review of 25 years of un-starred questions raised in Parliament over IFI activity in India reveals, there rarely has been detailed, systematic and persistent enquiry into decisions on IFI promoted policies and investments in India. This lack of oversight is also true when projects that have been mired in corruption and/or inefficiency has been admitted, and/or exposed. Undoubtedly, Parliamentary oversight becomes imperative to decision-making processes involving IFIs and the delivery of the projects financed by them.

Social justice movements in Japan, Australia, US, Western Europe, Saharan countries and increasingly Brazil and South Africa are advancing the Parliamentary Oversight Agenda as part of a peoples' demands for IFI accountability and democratic governance geared towards advancing social and ecological justice. This is manifest in the 2005 International Parliamentary Petition for Democratic Oversight of IMF and World Bank Policies urging governments to ensure that developing countries' parliaments have the rights and the obligations to be fully involved in developing, scrutinising, and agreeing to all policies related to WB/IMF projects. It is argued that this is a necessary guarantee of furthering the cause of transparency and accountability of IFI exposures. Such movements have resolutely been campaigning for reform of these powerful financial institutions as well, particularly in making them globally accountable and not merely to their share-holders. The Petition acknowledges that a big part of the lack of accountability by these IFIs is

due to the manner in which they are constructed, as these powerful financial institutions are governed on the basis of voting decisions determined by shareholding pattern, which comprehensively is held by G-8 countries. Simply stated, these powerful institutions would in no manner support projects and policies that are detrimental to the interests of the G-8 economies. This petition has been signed by over 1100 MPs in 55 countries. It has also been endorsed by the Parliamentary Network on the World Bank (PNoWB) and numerous civil society organisations and networks (See Annex 2).

The Parliamentary Network on the World Bank & International Monetary Fund (PNoWB) is a platform for Parliamentarians from over 140 countries to advocate increased accountability and transparency in International Financial Institutions and multilateral development financing. This body was established by the World Bank in 2000. PNoWB seeks to engage lawmakers from around the globe in the common mission of addressing good governance and poverty challenges, both in their home countries and abroad.¹⁰ Members of Parliament from India have also been members of PNoWB. Parliamentary Network members represent themselves and their constituencies, not their countries, Parliaments or Governments.

Towards Parliamentary Oversight over IFI Investments and Interventions in India

To understand the importance of Parliamentary oversight over IFIs in the Indian context, it is necessary to review events leading to the largest loan being concluded in IMF's history in 1981. The Special Drawing Rights (SDR) \$5 billion loan extended by IMF took many months in materialising and was largely negotiated in secret and informal meetings with key representatives of the Government of India. By its sheer size, scope of influence and conditionalities imposed, this Extended Fund Facility (EFF) loan to India was unprecedented. When this loan agreement became public, it rocked the Parliament as it became evident that extremely controversial "structural adjustment" terms had been imposed, diminishing India's sovereign capacity to determine its economic policies. It also signalled the advent of a new and toughened phase in the Fund's relationship with developing countries.

N. Ram, then the Washington DC correspondent of *The Hindu*, exposed these highly secretive negotiations that were underway in the US Capital, and that without taking even the Indian Parliament into confidence. The reporting marked a golden moment in the annals of investigative journalism in India. William Dale, then Deputy Managing Director of IMF conceded that the reporting had severely questioned the institution's credibility "...because of the sensitivity of the information and the delicacy of the negotiations, [the IMF] management regarded this leak as 'quite possibly the most serious and damaging...in the history of the Fund.'"¹¹

Despite such scandals, the role of IFIs in shaping India's economic and financial policies has continued to grow. During the early 1990s, this resulted in the India embracing economic reforms guided by the World Bank and IMF. One incident from 1992 rocked

¹⁰ For more information, see the website of *The Parliamentary Network on the World Bank and International Monetary Fund*; www.parlnet.org

¹¹ The original story could be accessed at: N., Ram. "World's most powerful supranational Govt." *The Hindu*, 20 October 1981.

the Rajya Sabha however.¹² This was based on a report by the Indian Express, which revealed that the draft of the Eighth Five-Year Plan, a privileged document, had been shared with the World Bank even before it had been tabled in the Parliament. This was so unsettling for the Parliamentarians that they demanded immediate justification and apologies for the manner in which sovereign power to determine economic policy priorities were being subordinated to external agency influences. For the MPs, this not only amounted to the Government keeping the Parliament in the dark when formulating key policies, but wilfully compromising the sovereignty of the nation by yielding to demands from external agencies that were directly controlled by foreign powers whose agendas could be inimical to India's.

From a Constitutional perspective, it is clear that the Parliament should be the forum for final arbitration of the nature of assistance to be sought from international financial institutions. This is because it is the natural right and role of the apex people's representative institution to scrutinise, debate, question, input, approve and have oversight over the transactions of the Government, a privilege not available to any other body. The reality, however, is far from ideal. In the prevailing schema, the Department of Economic Affairs (DEA) under the Ministry of Finance, basically a bureaucratic agency, is responsible for negotiating, facilitating, and approving IFI loans. The Indian Parliament has absolutely no role in determining the nature and outcome of these negotiations. Given that such loans have very long-term implications to the nature of development in India and its socio-economic security, it is but natural to expect that decision-making processes availing loans and grants from IFIs must be undertaken in a more democratic, transparent and accountable manner.

In keeping with the Constitutional Duties and Responsibilities of Elected Representatives, Parliamentarians in particular, and Legislators and Local Government representatives as well, are required to consider the circumstances in which huge loans are taken entailing massive shifts in programmes and policies, and promoting particular forms of developmental projects. All these come with serious commitments of repayment, and associated charges, especially when projects become unviable or when loans are not serviced.¹³ The critical role Parliamentarians need to play in reviewing the impact of loan policies is supportive of protecting the sovereignty and progress of the country, and this role cannot be overstated. However, an historic review of decisions relating to IFI interventions in India reveal that, time and again, there has been little or no oversight of elected bodies. This has resulted in avoidable and irreversible damage to the economy, people, society and ecology.

For instance, a major thrust in financial reforms that India was required to undertake to secure IFI loans in the 1990s was that it would have to open up for private investment core sectors such as power and water supply. Alongside, the country and state governments receiving project loans were required to diminish or withdraw completely state support to various essential services intended to secure people's fundamental rights, such as health and education. The breaking down of in-country mechanisms supportive of social welfare programmes and schemes, has vastly been replaced now by

¹² Reference, Rajya Sabha Questions, discussed on 16 July 1992

¹³ The contractual commitment charge is 0.75 percent annually on the undisbursed amount of the loan. Commitment charges begin accruing 60 days after the loan agreement is signed.

market friendly investment schemes, including in health and education. The safeguards claimed to protect the poor, and against destruction of environment and violation of human rights, such as those utilised by World Bank Group and Asian Development Bank, are rather weak, and only employed at the discretion of the IFIs. Meanwhile, the recipient agencies, particularly beneficiary private sector industrial houses and financial institutions, are quite comfortably sheltered from public scrutiny and also IFI safeguards due to the very difficult in using these processes to address adverse impacts. Most communities adversely impacted by IFI decisions and who have resorted to take shelter under these safeguards to secure some relief, have more often than not found the outcomes to be negative.

Methodology

A review of the questions raised in Parliament about IFIs in India during 1984-2009 was undertaken. This roughly corresponded to the period from the 8th Lok Sabha (31 December 1984) to the 14th Lok Sabha (18 May 2009). Thus, the review included 25 years of the Lok Sabha (Lower House) and 25 years of the Rajya Sabha (Upper House).

In researching questions raised in the Lok Sabha and Rajya Sabha, due attention was given to any matter that directly or indirectly related to IFIs such as the World Bank, International Monetary Fund, Asian Development Bank and also Export Credit Agencies. The questions raised and responses provided were sourced from various libraries in New Delhi, such as the Central Secretariat Library, Teen Murti Library, Indian Law Institute Library, Parliament Library and online also through repositories such as the Indian Parliament's website. In this manner, a total of 3500 questions raised in the Indian Parliament (both Lok Sabha and Rajya Sabha) over 25 years were collated, chronicled and analysed. About 350 questions did not fit within the period of review, and either preceded or succeeded the review window of 25 years. This report presents the results of this enquiry.

In addition, the report also reviews four major policies that have been debated in the Parliament during this 25 year period where there is direct or indirect involvement of IFIs. These policies, covering multiple sectors, had far reaching impact on the country's social and economic milieu in subsequent decades. Discussions in Parliament, which preceded review of these policies were also examined in some depth to appreciate different dimensions. The four policies are Industrial Regulatory Policy, Ones related to India's Power Sector reforms, Seed Bill 2004 and National Water Policy 2002.

The report further looks into 4 projects approved by the IFIs during this period. These projects stand out for their massive adverse social and environmental impacts. In this analysis, the focus has been to examine if the Parliament has deliberate the nature and impacts of these projects, particularly their social and environmental impacts, cost-benefit analysis, and if the question of alternatives has been genuinely addressed. The four projects are Orissa Health Systems Development Project, Urban Water Supply and Environmental Improvement in Madhya Pradesh, State Power Sector Restructuring Project and Narmada River Development (Gujarat) Sardar Sarovar Dam and Power.

Wider context

India is often touted as the second largest emerging economy in the world. According to the IMF, India is accelerating its economic growth and has the potential to overtake China to be the fastest growing economy by 2017. This is also indicated in India's growing influence in global economic forums over the past few years. In addition, India has played a leading role in the formation of new development financial institutions in the world, in particular the Asian Investment Infrastructure Bank (AIIB) and the New Development Bank by the BRICS states (Brazil, Russia, India, China and South Africa). These banking and financing institutions have been conceived as a response of emerging massive and influential economies, predominantly from the South, to tackle the hegemonic control by the Northern countries, in particular United States, United Kingdom, France, Germany and Japan, over IFIs such as the World Bank, IMF and ADB.

India is the second largest contributor to AIIB; and an equal and on par contributor with other members in the New Development Bank. India has also been invited to be a member at Shanghai Cooperation Organisation (SCO). She is also a likely initiator of SAARC Development Bank. All these roles are being undertaken with the ostentatious claim of eliminating extreme poverty. As the country forays into a major policy shift with international investments and financing, the question emerges if these institutions are to be under the oversight of the Executive, or if the Parliament should have a role in them. This is important because India is the largest democratic nation in these new institutions, and thus has a greater possibility of ensuring they are accountable to the people. In contrast, China is not a democratic country and Russia's claims to democratic functioning can only be considered highly suspiciously. The stability of the democracy in Brazil has come under question time and again, especially in the past year, and the situation is not very different in South Africa.

International Financial Institutions And Indian Parliament Analysis of debates in Parliament on IFIs (1984-2009)

The world is governed by institutions that are not democratic – the World Bank, the IMF, the WTO.

-- Jose Saramago, Writer.

In 1998, World Bank's structural adjustment policies forced India to open up its seed sector to global corporations like Cargill, Monsanto, and Syngenta. The global corporations changed the input economy overnight. Farm saved seeds were replaced with corporate seeds...

-- Vandana Shiva, environmental activist (From Seeds of Suicide to Seeds of Hope).

'Washington Consensus' is a set of policies formulated between the 15th and 19th streets by the IMF, US Treasury and World Bank. Countries should focus on stabilization, liberalization, privatization. It's based on a rejection of the state's activist role and the promotion of a minimalist, noninterventionist state. The analysis in the era of Reagan and Thatcher was that government was interfering with the efficiency of the economy through protectionism, government subsidies, and government ownership. Once the government "got out of the way," private markets would allocate resources efficiently and generate robust growth. Development would simply come. The Washington consensus also considers capital market liberalization essential, and the IMF took it as a central doctrine. Capital market liberalization includes freeing up deposit and lending rates, opening up the market to foreign banks, and removing restrictions on capital account transactions and bank lending. The focus is on deregulation, not on finding the right regulatory structure.

-- Joseph Stiglitz, former Chief Economist of the World Bank (Interview with Global Policy Forum 2011).

The exit of the World Bank from Sardar Sarovar has given a great boost to the Andolan and our supporters and has shown that the dam is not a fait accompli.

-- Medha Patkar, Social Activist.

The Bank has paid the highest price for not recognising the importance of the environment. That mistake, I think, has, in terms of the criticisms of the Bank, eroded some of the support that the Bank is entitled to."

-- Lewis Preston, former President, World Bank Group (a year after WB loan cancellation to SSP).

For the study to be empirically valid, debates and discussions in both Houses of the Parliament were categorised for the 25 year review period (1984-2009). Sector wise categories were evolved taking into consideration also the sectors identified by the World Bank Group, and the nature of the starred or unstarred questions. The review reveals that most questions in Parliament were essentially information-seeking and could

be considered as precursors to the nature of information seeking in prevailing Right to Information Act scenario.

Explanatory, on the other hand sought in-depth answers. Unstarred questions, according to convention do not carry an ‘*’, and are generally put seeking a written answer at the end of the Question Hour. Starred, on the other hand carry the ‘*’ and desires a verbal answer to the question. Moreover, the answers were appraised for pattern recognition, in that these were found to be either direct, generally in response to unstarred queries¹⁴¹⁵ and often with attached statements/figures and statistics; indirect¹⁶, when responses were given by a Department or Ministry other than the one it was meant for, and scheduled to be tabled at a later stage once the information would be collected; open-ended¹⁷, with several of the MPs participating, including the speaker of the House and generally for starred questions; and perspectival, with significant focus on violations of transparency and accountability with the MPs being told that issues were Department/Ministry-centric and therefore unanswerable, raising security concerns with regard to national security and thus deemed unfit for an explanation, project/policy specific, critical in regard to impacts, consequences, remedial measures, governmental action plan and national sovereignty, and oversight justifying the reasons for the Parliament not being consulted during the making of decisions of national significance.

The report then considered the following questions when analysing the questions raised and the debates that ensued:

1. Do Members of Parliament follow Government - IFI relationship closely to monitor its influence on India’s economic policies? How did they respond to / or take up with the Government in power when they got to know about those influences/interferences by IFIs given their far-reaching impact on our economy?
2. Does the Parliament have access to information related to IFIs in the country? Is the information sufficient enough to deliver its duties as the supreme legislative authority? Even when the information is sought, how does the Government part with it?
3. Are there any attempts to make IFIs accountable to the Parliament? Apart from seeking information about IFI investments and influence on our economy, do the debates bring forth the larger issues of accountability and transparency of IFIs?
4. What kind of role does the Parliament play in scrutinizing and monitoring the transactions of the Government with the IFIs?

There were 3250 questions asked in both Houses of the Parliament during the period, which were related to IFIs. They have spanned across sectors from Finance to Health to Public Administration to Energy & Mining to Water Resources to Transport to Agriculture, all in the context of IFI financing or influence over such sectors. The period

¹⁴ #2045, Rajya Sabha Unstarred Questions, Answered on 13/03/1989. Asked by T.R.Baalu (DMK)

¹⁵ #446, Rajya Sabha Unstarred Questions, Answered on 27/04/1989. Asked by Jagesh Desai (INC)

¹⁶ #3196, Rajya Sabha Unstarred Questions, Answered on 22/08/1988. Asked by Ashwani Kumar (BJP)

¹⁷ Subramanian Swamy, Re: Letter of Finance Minister to President, World Bank laid on the table on 26/02/1992. In references, Rajya Sabha, Session No. 162 27/02/1992, IK Gujral, Access to Eight Plan Documents by World Bank. In Short-Duration Debate, Rajya Sabha Session No. 164, Question No. SNQ1 27/02/1992. IK Gujral, policies announced by the Minister of Energy to totally follow the World Bank Conditionalities about Tariff, etc., Rajya Sabha Special Mentions, discussed on 01/12/1992.

chosen for the study also happens to be a period when India stamped its authority as a nuclear power drawing the ire of many countries. This in turn compelled powerful countries like the USA and UK to employ their power over World Bank/IMF and also the ADB to control financing, even deny, to various on-going or pipeline projects¹⁸. This was a turbulent period politically, economically and socially. Major reforms were undertaken in the banking sector, financial deregulation was promoted to ease trade barriers or to cut “license raj”, and there also was the unprecedented withdrawal of the World Bank from financing of the Sardar Sarovar Project. In addition, these decades also marked massive shifts global economic outlooks and approaches.

India has always been considered *numero uno* as a borrower country of IFIs, was trying hard to come to terms with the changed and changing realities. Be it in matters of sovereignty at stake when the country took recourse to bailouts to uplift from a tanking economy or tectonic reforms that always advocated the need “for” privatisation based on deliverables and performance. It wasn’t that the Parliament wasn’t aware of these turnarounds, but rather the manner of that awareness, which far from bordering on any ineptitude was more embedded within the strictures of how responsibilities trickled down the hierarchies politically and when and where such a trickle was locked out, or fire-walled. It was a debilitating cause not only for the people of the country, but also for the very representatives of the people, the Members of Parliament. The obvious allegations were the locking of information regarding the engagements and transactions with these international financial institutions at the time of reforms/projects’ conception and thereafter implementing those on the people who had very little to speak of in terms of participation, and whose voices were silenced either through rhetoric or through state-sponsored/-backed violence. If such means of recourse were resorted to in times under the study, then did the Parliament try and stamp its weight against the indifferent treatment or did it show any foresight about the consequences?

Noteworthy to mention here is a World Bank study on Indian Economy in July 1992. The study suggested a 10 per cent cut in the number of Government employees during the next three-year period to make the Government’s fiscal adjustment programme a success. While the Report did not explicitly mention the 10% reduction, it implied so. Even if it were a gigantic task to bring down the fiscal deficit to 5% of the GDP by the end of 1992-93, it would imply a 0.3% primary deficit, and that a recourse to the RBI credit could be reduced significantly from 3% of GDP in 1990-91 to 0.8% in 1992-93. Reductions in the rate of increase of such assets should limit the rate of increase of base money, thus helping reduction of broad money growth. A reduced fiscal growth and less recourse to the RBI financing should, in turn, reduce aggregate demand and inflation. But, the World Bank warned that unless exports and private investments offset decline in aggregate demand, a rapid recovery would not take place.¹⁹ This did not find a mention in the debates studied, and was indeed a big miss in policy debates in the Parliament.

¹⁸ In 1998, India tested its second nuclear device in Pokhran, Rajasthan. Pakistan followed with its own nuclear exhibit. The events attracted world-wide consternation and forced the US to influence the IFIs from lending to the country.

¹⁹ Agarwal, S. P. & Aggarwal, J. C., “Information India 1992-93 Global View”, In *Concepts of Communication Informatics and Librarianship-62*, Concept Publishing Company, New Delhi, pp. 276-277.

Another common denominator (determinant?) in the study has been recurrence of questions that veer into Government's action plan in the wake of certain (what exactly was suggested needs to be mentioned) suggestions and opinions made by the World Bank or ADB. Almost every time such inquiries were raised, Government accepted awareness of findings in the studies, reports or documents and thereafter shifted track on national policies and agendas, which were immune to any soft or otherwise dictates of these findings. This not only safeguarded the sovereignty of the country while giving answers, but also ran the risk of missing out on intensively responding to those particularities of questions that sought explanations.

If one were to draw on a canvass a progression of interventions across the time frame, it would become clear that the start was more concentric on the growing influence of the International Financial Institutions in reforms and policies, while the end was more palpably project-oriented. If the beginning was on conditions attached to loans, the latter part was on fulfilment of these conditions and covenants, a breach of which even resulted at times on World Bank stalling further tranches of commitment. In cases such as these, reasons were sought, and Governmental action plan was articulated. There was a growing awareness in both Houses that lending portfolios depended largely on Country Assistance Strategies (CAS) of the World Bank, and this was the document where sectoral investments were highlighted and underlined.

IFIs and India's Economic Policies

Time and again, during the period, MPs raised a wide range of questions related to the IFIs' influence on India's economy. Even on a critical aspect such as the country's economy and related policies, most of the times MPs referred to newspaper reports or other sources to draw the attention of the Government of the day and raise questions, rather than they being privy to the information. A few instances to illustrate the above:

In the 8th Lok Sabha, a question was raised about a working paper on the industrial regulatory policy drafted by the World Bank. Even though, it was maintained in the Parliament that there wasn't a separate policy designed for developing and developed nations, the Minister adamantly maintained the Government's stance on the draft as restricted access, but in accordance with policies and priorities of the 7th Five Year Plan.²⁰ Asian Development Bank's role of mediation between the Government of India and Japan Export Import Bank to let Japanese funds flow into the country²¹ clearly had overtones of the Parliament not being consulted undermining the democratic decision-making in the development process.

By January 1991, India's ForEx stood at \$1.2 billion and was barely sufficient for three weeks of essential imports. Defaulting was looming high and it was then that the Prime Minister Chandra Shekhar sought an emergency loan to the tune of \$2.2 billion from the IMF by pledging India's 67 tons of gold reserves as collateral. The state of financial doldrums that the country found itself in did attract questions in both the Houses, but did little more than inquire into the status of Indian economy after the loan from the

²⁰ #8517, Lok Sabha Answered on 29/04/1987, Asked by S.M.Guraddi (Janata Party).

²¹ #1663, Lok Sabha Unstarred questions, Answered on 06/08/1987. Asked by Basavarajeshwari (INC)

Fund was delivered²², which improved according to the Government. Even with the Parliamentarians knowing about the crisis, there was no veracity of the debates and discussions critically asking about undermining the role of the Parliament in such decisions involving national sovereignty.

A couple of Members of the House asked if the WB has urged upon the Union Government to revamp the nationalised banks, and what the Government's proposal was to improve the performance of such banks.²³ The Members were informed about a report dated 26th June 1990, where the WB had commented on the need for improvement of human resource management and provision of additional capital to the commercial banks in India. The suggestion was given in a report, which incidentally was not accessible in the public domain then, proving once again a lack of information to the Parliamentarians about such policy revamps.

A couple of in-depth probes by IK Gujral of JD and Ramdass Agarwal of BJP were about the conditions and guidelines from the WB on power sector in India. Gujral drew attention to a news item of Pioneer (27th November 1992), which stated that the Department of Power accepted all the conditions imposed by the WB and also the allegation if the Minister in the said Department had committed to tariff for the agricultural sector at a minimum of 50 paise? The Minister added that during the State Power Ministers Conference held on 6 September 1991, it was agreed that the SEBs worked on sound commercial principles by advocating a minimum tariff for agriculture, and this was a consensual decision reached by the state power ministers and not a result of any commitment made by the Government to WB.²⁴ The Member from the BJP drew attention to an article that appeared in Financial Times of 23 February 1993 that talked of tougher conditions for power sector lending from the WB, and wanted to know the new guidelines for such a lending and the governmental reaction to it. The Minister informed the House that the news item resulted from a series of papers prepared by the WB for a workshop on Proposed Power Projects Management & Implementation Review, held in Goa in October 1992. The documents referred to a need for commercialising state-owned power utilities thus earning a minimum statutory rate of return on capital invested, improving the efficiency of regulatory mechanisms in the power sector and emphasising energy conservation. Neither did the Minister mention anything about the conditions getting tougher, nor did he outline the causes behind the Government's encouragement for seeking private sector participation in the sector. Thus, it would not be far-fetched to say that the Parliament was kept guessing about policy changes.

The launch of DPEP-II in sixty districts of various states over the six-year period was interestingly justified as a decision by virtue of the project floated by the Bank itself. This question²⁵ in the Lok Sabha is a brilliant example of how a World Bank agenda lends

²² *#71, Lok Sabha Starred Questions, Answered on 28/02/1992. Asked by Pawan Kumar Bansal (INC)

²³ #344 Lok Sabha, Answered on 28/12/1990, Asked by Madhan Lal Khurana (BJP) & Shantram Potdukhe (INC).

²⁴ #1709, Rajya Sabha Unstarred questions, Answered on 10/03/1993. Asked by Inder Kumar Gujral (JD)

²⁵ #571, Lok Sabha Unstarred Questions, Answered on 15/07/1996. Asked by Ramesh Chennithala (INC)

itself to the Governmental agenda, or vice versa.

International Finance Corporation (IFC), the private arm of World Bank Group had blamed India's administrative bottlenecks for reduction in its aggregate level of investment. The question did not raise any eyebrows on the exact details behind this culpability. Moreover, the response makes it all the more obscure by pointing to the fact that IFC's investment was part of an overall external commercial borrowing, and thereby any reduction in the aggregate of IFC's lending would not make a significant difference to ECB, which also comprised of other institutions lending money.²⁶ This response was given to avoid an exposition to the reasons behind IFC's claim by taking the query to a different dimension altogether.

Expressing serious concern that the country could slip into a debt trap, there was an isolated question on whether the Government has decided not to take any more foreign loan till the debt trap situation comes under control and details about the steps taken to come out of debt.²⁷ The answer was evasive.

While in his response the Minister conceded that there were discussions regarding curtailing of IDA related assistance to countries such as India and China, it was amply clear from the question that the Members of the Parliament were oblivious of those discussions, and without further probing,²⁸ the Parliament would have never known about those discussions.

In 1998, India tested its second nuclear device. Within a week, Pakistan too tested its own device. These two events caused a lot of consternation around the globe. The slapping of economic sanctions on India, and especially with the US committed to oppose any financing from the IFIs to India did not go unnoticed in the Parliament,²⁹³⁰³¹ and the issue was discussed and debated quite vociferously in both Houses. While sanctions were slapped, four projects were allowed to receive funding on humanitarian grounds.

To a question about IMF's suggestion for sweeping reforms including privatisation of state owned banks³² the Government confirmed that IMF wants India to accelerate implementation of the reforms suggested by the Narasimhan Committee.³³ While he reiterated that policymaking is the sovereign right of the Government of India, he also admitted that India has submitted herself to IMF's suggestion of opening up the banking sector to privatisation.

²⁶ #491, Lok Sabha, Answered on 22/11/1996, Asked by T. Subbarami Reddy (INC).

²⁷ #288, Lok Sabha, Answered on 18/12/1998, Asked by Maganti Babu (TDP).

²⁸ #5099, Lok Sabha, Answered on 07/05/1997, Asked by K. Parasuraman (DMK)& T. Subbarami Reddy (INC).

²⁹ #2669, Lok Sabha, Answered on 03/07/1998, Asked by Y.S Raja Sekara Reddy (INC).

³⁰ #3347, Lok Sabha, Answered on 10/07/1998, Asked by Pankaj Chowdhary (BJP).

³¹ #820, Rajya Sabha, Answered on 06/03/1998, Asked by Kamla Sinha (JD).

³² #2054, Rajya Sabha, Answered on 21/12/1999, Asked by K. M. Saifullah (TDP).

³³ It must be interesting to note that apart from being RBI Governor, M. Narasimham also worked as India's Executive Director both at the World Bank & IMF before heading the two committees on banking reforms.

Kamla Manhar of INC and one other Member³⁴ wanted the Prime Minister to state whether the Government proposed the inclusion of representatives of the WB, ADB and an American Consultancy Group in various consultative committees of the Planning Commission in order to provide inputs for the mid-term appraisal of the 10th five-year-plan, the details in that regard and the specific reasons for having such a constitution. MoS in the Ministry of Planning, MV Rajashekharan, said that the Planning Commission had announced the formation of consultative groups for the limited purposes of obtaining views and perceptions regarding the effectiveness of plan programmes and policies from NGO observers in the process of the mid-term appraisal of the 10th five-year-plan. There were representatives from the WB and ADB. The matter was subsequently reviewed and the consultative groups were dissolved, w.e.f., October 1 2004.

Manvendra Singh of BJP drew the attention³⁵ of the Finance Minister to a report by the WB, which stated that the time taken for establishing and exiting a business in India is higher compared to most other countries. He also sought further details and the steps taken by the Government to address this issue, especially in ramping up the FDI. MoS responded by noting that the Report titled 'Doing Business in 2005' did indicate that the time taken in India for starting a business, registering property, enforcing a contract and closing the business is higher in India compared to average for South Asian countries. In pursuance of Government's commitment to further facilitate Indian industry, it has permitted access to FDI through an automatic route, except for a small negative list. An Investment Commission had been set up in December 2004 to engage, discuss and invite domestic and foreign businesses to invest in India. Procedural simplification and removal of bottlenecks is an on-going process, which the Government was addressing continuously.

When vital information was found to be wanting, a deeper engagement by the MPs in discussions was a far cry. With information trickling in from secondary and tertiary sources, much of the questions and debates are to verify them and ask Government's reaction, than a substantive discussion on the content of the information. The Government, however, never took initiative to share information, or invite a discussion or involve people's representatives in matters related to IFIs.

Supreme Legislative Body without Vital Information

As discussed earlier, the vital information vis-à-vis IFIs was never easily and freely available to the MPs. Questions regarding the status of projects and lending probably was the only way for citizens to get information in an era when Right to Information Act was still not in effect. Interestingly, during the period before the RTI Act was passed, there were more in depth discussions on IFIs than the period immediately after the Act (though the period under consideration was not long enough to reach any substantive conclusion). But the question remains that whether MPs should wait for an RTI to get information, which is key for making legislations. For instance, even though MPs asked the correlation between funds and accountability towards the socio-economic

³⁴ #152, Rajya Sabha, Unstarred Questions, Answered on 02/12/2004. Asked by Laxminarayana Sharma (BJP)

³⁵ #7170, Lok Sabha, Answered on 13/5/2005, Asked by Manvendra Singh (BJP).

parameters as a result of impacts due to thermal-power plants, they were answered directly by claiming to have done a diligent study that mitigated such impacts. Not only were specific details missing, the direct nature of answers also left no room for further in-depth analysis.

One of the earliest questions in this period the study dealt with is seeking information on the outcome of the IDA-8 talks held in Washington in September 1986 and whether India's share was announced.³⁶ An information as vital as this had to be raised in the Parliament for the Minister to reply that US\$ 11.5 million was agreed to be replenished and no funds had been committed to any country. If MPs had the privilege to know that information by design, discussion could have been towards planning the best utilization of the funds, if allotted.

Another interesting question of this period is whether the Government has taken any stand on the proposed revamping and restructuring of the World Bank by its President, as reported in the Times of India dated 22 October 1986.³⁷ The Minister informed the Parliament that India's stand on the proposed revamping and restructuring would depend on the nature of the proposals which would emanate from the review. The response made it amply clear that Parliament would not have any role in shaping India's position on such a serious matter like the restructuring of the World Bank.

Barely a year on in the liberal era, in 1992 reforms and policy recommendations promulgated by the Bretton Woods giants were facing up to hitherto unidentified roadblocks. The Upper House of the Indian Parliament witnessed uproars and frequent disruptions while going about its routine business. The reasons were questions of sovereignty, disregard for the office and undermining the parliamentarians, who were denied access to information and communication they felt they were entitled to. The main culprit for them was the Government of India, who unbeknown to the members was engaging in reforming the economy in the open era on lines promulgated by the World Bank/IMF and Asian Development Bank. Serious concerns about lack of accountability and transparency echoed during the year. Issue pertaining to concealed information in the context of correspondence between the Union Minister of Finance and President of the World Bank with details outlining the industrial policy the country could adopt witnessed the participation of 16 members of the Parliament.³⁸

Subramanian Swamy (Jan Sangh) raised his concern regarding a document referred to in the Parliament, which was tabled only in part with some portions not made available, as of high importance to the nation and carrying assurances to the World Bank.³⁹ Further on, he questioned that even if the Government denies concealing any information, why was the letter accompanying the document with detailed 43-page comments not tabled in the House. The reiteration was to clear the mystery shrouding the document and the accompanying letter. The rest of the members, even with a crisscross of their individual point of order during the debate and discussion unanimously insisted that the

³⁶ #1682, Lok Sabha, Unstarred Question, Answered on November 14, 1986, Asked by Murli Deora (INC).

³⁷ #3970, Lok Sabha, Unstarred Question, Answered on November 28, 1986, Asked by Chinta Mohan (TDP).

³⁸ #162, Rajya Sabha Reference, Answered on 27/02/1992 Asked by Narredy Thulasi Reddy (TDP)

³⁹ Rajya Sabha, Answered on 27/02/1992, Asked by Subramanian Swamy (Jan Sangh).

Government place the document for perusal before the Annual Budget is passed later in the year.

Whether it was the question of IMF pressurising the Government to cut down interest rates for a full convertibility of the rupee, or whether it was the WB loan for Banking Sector reforms, Rajya Sabha in general was quite probing of these finance institutions. In a point that questioned the transparency of governmental dealing, Ashok Mitra of CPI(M) asked⁴⁰ if the Director of the Executive Board of the IMF had written a letter to the Government of India urging it to draw lessons from the Mexican debacle, and if such a letter could be laid on the table of the House. Further, he wanted to know the steps taken by the Government in regard to the content of the letter. That such a letter was written was duly accepted by the MoS in the Ministry of Finance. He clarified that it merely happened to be one form of communication, which narrated the various dimensions of the Mexican debacle and the steps taken to restore order. The Minister declined the request for the letter to be laid on the table of the House. This was a clear breach of sharing information with the Parliament, and thus makes the need for an oversight an absolute imperative.

Independent Member, Ram Jethmalani, in a starred question⁴¹ asked if the WB had said in its report that the implementation of projects related to development of transport in India was not just slow, but also unsatisfactory, and the necessary reactions from the Government as also the steps taken to identify the flaws and implement the projects. Minister of Surface Transport, TG Venkatraman, responded by saying that the audit mission team of the WB had been engaged in various discussions with officials at the Centre and State levels to come out with a solution to the issue of delays in implementing such projects. He further said that the reaction of the Government in this case could not be described. What is it, if not blatantly concealing information from the House?

In another case of MPs not provided with the right answers, in the Rajya Sabha, the questioner⁴² drew the Government's attention to the news item captioned "Check Power theft, says World Bank" and specifically asked whether WB has been interfering in our power sector reforms. The Minister completely evaded answering the latter part of the question.

In another example of MPs having no information on how the Government is tackling key issues plaguing the country such as poverty, education and health with external aid, in a starred question in Rajya Sabha, T Subbarami Reddy of INC⁴³, enquired of the Finance Minister if India had made out a compelling case for increasing development aid in order to eliminate poverty and strengthen country's literacy and health programmes under the MDGs. Further, did the Indian delegation defend a plea before the IMF and WB for increased aid flows and whether the institutions agreed in view of good performance shown by the country in these sectors? P Chidambaram, Minister of Finance, answered these in the affirmative and said that WB had proposed to upscale its

⁴⁰ #4394, Rajya Sabha Unstarred Questions, Answered on 02/05/1995. Asked by Ashok Mitra (CPI-M)

⁴¹ #447, Rajya Sabha Starred Questions, Answered on 05/07/1997. Asked by Ram Jethmalani (IND)

⁴² #400, Rajya Sabha Unstarred Questions, Answered on 21/11/2001, Asked by Abani Roy (RSP).

⁴³ #111, Rajya Sabha, Starred Question, Answered on 13/7/2004, Asked by T. Subbarami Reddy (INC)

assistance.

MPs were keen to know more about IFI transactions such as whether in view of poor financial conditions of farmers and also to protect them from moneylenders, has the WB has been approached to release financial aid⁴⁴, the national tuberculosis control programme funded by WB⁴⁵ and the misuse of WB funds⁴⁶.

However, MPs were found time and again deprived of basic information, which is decisive to deliver their duties. Whether it is the total external loan received by India from IFIs or measures taken to improve the external debt,⁴⁷ the MPs were made to request for it, rather than they having an easy access to it.

Accountability of IFIs - A far cry

As mentioned earlier, when information is elusive for the MPs, it would be far-fetched to expect them to demand accountability of IFIs to the Parliament. Many questions during this period could have naturally led to demanding more accountability and transparency in India's interactions with and positions on IFIs.

The year 1994 in the Upper House witnessed discussions on whether the WB and the IMF were putting pressure on the Government to accept changes suggested by the institutions in the finance sector.⁴⁸ Although, it was answered in the negative, the House was informed of the support the Government received for macroeconomic stabilisation, and structural adjustment reforms, started in 1991. While IFIs' influence on the finance sector was recorded in many places in this report, what the MP did not challenge the Government on it or details of the kind of support IFIs are offering to macroeconomic stabilization or structural adjustment reforms were sought.

A particular discussion⁴⁹ sought details of whether the WB and IMF had taken a soft line on some crucial policy issues such as reduction of subsidy and formulation of early exit policy, and if these steps have helped the Government while devising the annual budget. The respondent surprisingly did not mention the WB and IMF, but said that budget proposals were in place for the National Renewal Fund, and that the Government was targeting subsidies for enhanced efficiency. However, he did mention that the budget proposals were based entirely on the Government's own assessment of the requirements of the economic and the national interests.

The discussion on the stalemate between India and Pakistan on the Baglihar Hydro Project in 2005 is another example of MPs expressing displeasure about the way IFIs behaved, but stopped short of asking for more transparency and accountability.⁵⁰ Pakistan had been insistent that the design of the project violated certain provisions of

⁴⁴ #1324, Lok Sabha, Answered on 03/07/2008, Asked by Santosh Kumar Gangwar (BJP).

⁴⁵ #181, Lok Sabha, Answered on 03/12/2008, Asked by Sugrib Singh (BJD).

⁴⁶ #5197, Lok Sabha, Answered on 05/11/2007, Asked by S.Ajaya Kumar (CPI-M).

⁴⁷ #460, Lok Sabha, Answered on 17/07/1998, Asked by N.K Premchandran (RSP).

⁴⁸ #57, Rajya Sabha, Answered on 22/02/1994, Asked by Vijay Kumar Malhotra (BJP).

⁴⁹ #2646, Rajya Sabha, Unstarred Questions, Answered on 15/03/1994. Asked by Syed Sibtey Razi (INC)

⁵⁰ #143, Lok Sabha Starred, Answered on 14/3/2005, Asked by Harischnadra Deoram Chavan (BJP) & Surendra Prakash Goel (INC).

the Treaty, and thereafter ignored the bilateral process and approached the World Bank to address the differences that arose. The Bank interfered and requested India to provide further information by February 2005. India, on the other hand admonished the Bank to refrain from making an appointment leaving the parties to settle the issue between themselves in good faith or in provisions outlined in the Treaty. Even though many of the suggestions and opinions given by the Bank were refuted by the Government as mere reports, the indication of a strong presence the institution made in the country could not be ruled out. This was highlighted throughout the 25 years in more ways than one as infringing on the national sovereignty in the Parliament.

Representation without Monitoring!

Having primary responsibility of representing the interests and concerns of the people whom they represent in the Parliament, MPs should naturally be bestowed with powers to monitor the projects supported by IFIs, which concerns people. Apart from projects, interactions between the Government and IFIs, which has an impact on India and its people, requires to be monitored by the representatives of the people. A large number of questions raised by MPs during this period pointed towards this, but were unable to create an impact due to lack of information. This varies from questions on infrastructure projects, to water, sanitation, health, education, etc. A few instances:

Serious concerns were raised in the Rajya Sabha in 1996 on issues pertaining to project monitoring, and it was thereafter mutually agreed with the World Bank about the necessity of a senior officer to be appointed as a single point of contact for the Project Monitoring Authority in all states and central ministries having large exposure to WB lending for intensive supervision.⁵¹ This was another instance, and a pretty close approximation of the need for audit and monitoring as outlined in the parameters to oversee oversight.

Delayed funding for health projects due to red tape was a noteworthy question⁵² in 1994, where the Member sought underlined details from a news report, suggesting reliance on secondary and tertiary sources for information rather than the primary ones for monitoring projects.

On the projects side, the issues of non-utilisation of loans in Railways⁵³ and the cancellation of loans in the Power Sector⁵⁴ in 1995, were raised.

Apart from mentioning that project monitoring is an on-going exercise conducted throughout the year so as to identify the bottlenecks in implementation, carried out by Department of Economic Affairs, line ministries and state governments, the Minister also said that the World Bank sends its missions to review the performance of the Bank aided projects and they have been asked to setup a single project monitoring authority for intensive supervision.⁵⁵ Neither the question nor the response considered monitoring by the Parliament.

⁵¹ #430, Rajya Sabha, Answered on 26/11/1996, Asked by Parag Chaliha (AGP).

⁵² #269, Rajya Sabha, Unstarred Questions, Answered on 23/02/1994, Asked by Sompal (JD).

⁵³ #1428, Rajya Sabha, Answered on 22/3/1995, Asked by Ram Jethmalani (IND).

⁵⁴ #163, Rajya Sabha, Answered on 28/11/1995, Asked by Jagmohan (Nom).

⁵⁵ #3279, Lok Sabha. Answered on 13/12/1996, Asked by Krishan Lal Sharma (BJP).

Rajnath Singh of BJP drew attention⁵⁶ to a news item that appeared in TOI dated 8 January 1998 under the caption “World Bank Report Critical of India’s Power Project”, and asked for the Government’s reaction to it. R. Kumarmagalam, Minister of Power, responded to him. The minister admitted of the Government’s awareness of the news item, and further said that in April 1997, some inhabitants of the Singrauli project area of NTPC filed a complaint with the Inspection Panel of World Bank at Washington alleging violation by the Bank of its policies and procedures on environment and R&R of the displaced persons of NTPC projects in the region. The WB after going through the facts decided that an investigation should be conducted at the HQ in Washington to determine the extent to which the Bank adhered to its policies and procedures under the NTPC Power Generation Project.

Krishna Kumar Birla of the INC wanted to know⁵⁷ the Government’s reaction to a news item with the caption “Government rejects WB study on India’s Power Policies” in the Times of India dated 29 December 1999, and further if the Bank was interested in conducting a study on India’s power sector policies. The MP also sought clarifications of some of the guidelines that the Bank had issued in the past and the level of their implementation at the hands of the Government. In response, MoS, Jayawanti Mehta, said that the Government was aware of such an item and wholly rejected the WB study as it was based on the findings carried out only in the two states of AP and Bihar. The Bank did not approach the Government for conducting a study on India’s power sector policies, and did not issue any guidelines in regard to such policies. Though, it did lay down covenants during the signing of the loan agreements with the operating/project implementing agencies.

Ghulam Nabi Azad in a starred question⁵⁸ drew the attention of the Finance Minister towards a news item in Indian Express dated 9 March 2000 that talked of the WB suspending payment to Haryana towards its power sector reforms, and wanted to know if the Bank had threatened to initiate a legal action against the electricity utilities and any other details thereof. In response, MoS in Finance Ministry, V. Dhananjay Kumar, said that in 1999 the Bank stopped making any reimbursements or payments for the reforms and in March the next year, it suspended the loan altogether owing to Haryana Government’s inability to act on key legal provisions of the loan that required transfer of Haryana SEB responsibilities to unbundled utilities.

Both these answers were interesting, for they not only went against the very grain of Power Sector reforms initiated by the World Bank, but also did not really match up to the questions asked, especially when the Bank document for the latter case did mention the project falling short of standards. This points to manipulation of information by the Government, which proves that the Parliament’s right to information was denied or compromised. And without right to information, the Parliament can never monitor the far-reaching impact of different kinds of reforms in the power sector.

⁵⁶ #1622, Rajya Sabha, Unstarred Questions, Answered on 16/22/1998. Asked by Rajnath Singh (BJP)

⁵⁷ #2244, Rajya Sabha, Unstarred Questions, Answered on 15/03/2000. Asked by Krishna Kumar Birla (INC)

⁵⁸ #354, Rajya Sabha, Starred Questions, Answered on 18/04/2000. Asked by Ghulam Nabi Azad (INC)

Conclusion

Several interventions relating to projects and even matters of policy could have formed part of this chapter in mapping it with the parameters set out in the beginning; they were avoided only because the ones included happened to be more cardinal from the point of view of oversight. There have been minute traces of inquiries into the questions of national sovereignty, decision-making capability and the role of the Parliament, concealing information that has been thoroughly investigated, and auditing and monitoring mechanisms called forth by the Parliamentarians. But, nothing really happened while policies were being enacted in accordance with a discussion that was democratic in spirit. Similarly, accountability of the IFIs to the Parliament featured far and between, and wasn't really to the mark where it could be considered as oversight, even if from a studious distance. On the information front, it has been clear that information was either not possessed, or not forthcoming through secondary and tertiary sources at best. Though, towards the end of the period, it could be seen that many of the responses did detail and disburse information, the period is also rife with manipulation of information, or even concealing it, or totally abstaining from sharing it under the pretext of it being confidential in the interest of national security, or other department-based. Whatever positive spikes were witnessed across these 25 years were meagre, though crucial anomalies in the trend that largely relied upon gathering logistical and status-based appropriations of lending and policy-framework opinions.

How Did The Parliament Perform In Problem Project Monitoring & Policy Making?

Enquiry into Parliamentary Debates on Selected Problem Projects and Policies Related to IFIs

Institutions are not...created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules.

— Douglas C North, Nobel Lecture, 1993.

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.

— Joseph Stiglitz, Nobel Laureate and Ex-Chief Economist of the World Bank.

Without excusing corruption, international agencies have to face up to the fact that the construction of capitalism, although it may be necessary for long-term prosperity of poor countries, is itself an ugly and conflictual process. Attempts to attain a corruption-free, representative and accountable system of governance at this stage may not only not be achievable, but may divert attention away from what actually needs to be done to improve the quality of state intervention to accelerate the transition and make it more socially acceptable.

— Mushtaq Khan, 2002 “Corruption and governance in Early Capitalism” in *Reinventing the World Bank*.

We are well aware of the scale of the development task facing India, of the importance India places on irrigation in increasing production in the agricultural sector, and of the longstanding partnership between India and the Bank in this endeavour. But our Terms of Reference...require us to consider the Bank’s policies, India’s environmental regime, and the credit and loan agreements. These emerge from the context of Bank-India relations just as surely as the longstanding partnership in the enhancement of agricultural production between the Bank and India. If there was no intention of following Bank policy or India’s regulatory regime, it would have been appropriate to acknowledge this.

— Morse Report (xxiv).

To look deeper into the role Parliament played in overseeing the functioning of IFIs in India, the report looked at 4 projects approved by one of the IFIs during this period and proved to have far reaching impacts on people and environment in the later years. The report examines the kind of debates / questions that took place in the Parliament at the time of its approval, or thereafter. Similarly, the report also looks into 4 policies passed by the Parliament during this period, whose origins could be traced back to the recommendation of one of the IFIs, and which had a major impact on one of the sectors.

The four emblematic projects are:

Orissa Health Systems Development Project

Urban Water Supply and Environmental Improvement in Madhya Pradesh
State Power Sector Restructuring Project
Narmada River Development (Gujarat) Sardar Sarovar Dam and Power

The four iconic policies are:

Industrial Regulatory Policy

Ones related to India's Power Sector reforms

Seed Bill 2004

National Water Policy 2002

Emblematic Projects:

The main rationale of these projects is provided, individually, while discussing the same, but the underlying thread is to look at the debates to check whether the Parliament ever considered its impact and whether it weighed upon the project before its approval (or post approval).

Orissa Health Systems Development Project:

Designated P010496⁵⁹ (Project ID), under the general sector "Health", this World Bank-financed project had 100 per cent financing from the Bank with a commitment of US \$90.70 million, and approved on 29 June 1998 to close on 31 March 2006 in the eastern state of Orissa.

The main objective was to assist the Government of Orissa to improve in allocating and using health resources, and improving quality, effectiveness and coverage at the referral level and select coverage at the community level. The project also aims at improving accessibility to basic health services at the community level and strengthening linkages between the various tiers of the health care system.

Impact:

According to World Bank Independent Evaluation Group (IEG's) report, monitoring in the case of health project remains weak, while evaluation was almost non-existent.⁶⁰ Even if the project meets its objectives, it is performing at substantially low levels compared to what its outcomes may suggest. Severe construction deficiencies were found on the Orissa Health Systems Development Project in buildings that were reported to be complete and performing according to the specifications. The report in general also said that pro-poor projects were only about half the total and that only 13% of the projects had a specific poverty-reduction objective.⁶¹ The IEG report disagreed with the previous reports filed by the consultants nominated by the World Bank. The

⁵⁹ Webpage for the project at the World Bank website could be visited at <http://goo.gl/ZaKJ3T>.

⁶⁰ Singh, J. *India, Democracy and Disappointments*, Gyan Publishing House, New Delhi, 2010, pp. 51-53.

⁶¹ World Bank Health Work Flawed: Still Pushing Privatisation of Services, <http://www.brettonwoodsproject.org/art-564820>.

World Bank, rather than question the honesty and integrity of these consultants put the blame squarely on the Orissa Government. The Orissa Government felt threatened and immediately set up a vigilance unit that conducted the enquiry and filed the charge sheet, which incidentally did not place any charge on the officials found guilty by the vigilant unit.⁶²

According to a report by the Indian Express⁶³, the implementation of the civil works indicated fraud, with 93 per cent of the 55 project hospitals having concerns with incomplete work, leaking rooms, crumbling ceilings and moulding walls and non-functional sewage system. The report further stated that surprisingly all of these hospitals were given completion certificates. The report further clarified that some of the material procured was of sub-standard quality and procured from suppliers who were blacklisted by other states. Following these findings, the former president of the World Bank Group, Robert Zoellick, even went on record saying that unacceptable indicators of corruption and fraud were discovered by the review team of the WBG⁶⁴. In 2005, the WB investigation into a reproductive and child health project found similar instances of corruption, including alleged kickbacks to the government officials. Following these investigations, the Bank withheld funds worth nearly \$2 billion meant for pending proposals in the health sector. He stressed that the Government of India and the Bank were committed to get to the root of this issue. The Government, on the other hand made it clear that the guilty would be visited by exemplary punishment. Responding to the Govt's response, Zoellick further said, "I appreciate the resolute commitment of the government, which will be in the lead in pursuing criminal wrongdoing. On the bank's side, there were weaknesses in project design, supervision and evaluation...there were also systemic flaws and the Volcker Report points towards what needs to be done to correct it." In the melee created, the Government of India came in defence of WB. In an official communiqué⁶⁵ released by the Finance Ministry, it said, "The Government of India values its relationship with the World Bank and is fully committed to continuous systemic improvement in the implementation of all health sector projects".

When officials from the World Bank led by John A Roome met the then Chief Secretary of Orissa, Ajit Kumar Tripathi, in January 2008, they informed him that the then Orissa Health Minister had received kickbacks from a supplier. Even though, the Bank officials did not name the minister in question, Bijoyshri Routray was removed from the cabinet as the state health minister in a reshuffle.

How did the Parliament of India look at this? In the two questions asked in the Lok Sabha⁶⁶ that focused directly on the project, apart from information seeking about the

⁶² Probing Orissa Health System Development Project Scam: Attempt to Fool the Public, http://hotnhitnews.com/probing_orissa_health_system_development_scam_attempt_to_fool_public.htm.

⁶³ Ex-Orissa Health Minister received kickbacks, says World Bank review, <http://goo.gl/awO9bl>.

⁶⁴ World Bank Press Release, 11 January 2008, <http://www.worldbank.org/en/news/press-release/2008/01/11/government-india-world-bank-group-join-forces-stamp-out-corruption-health-sector-projects>.

⁶⁵ The Economic Times, *WB upset at corruption taking toll on its health project*, <http://goo.gl/SAJhGT>, Published 12 January 2008 at 12:56 am IST.

⁶⁶ #854, Lok Sabha Unstarred Questions, Answered on 29/02/2000 and #2851, Lok Sabha Unstarred Questions, Answered on 14/03/2000.

specifics and status of primary health care as a result of World Bank assistance, there no interventions going into the details of the project and its impacts. Further, no talks of corruption as a result of implementation were raised. This not only seriously undermines oversight in the Parliament, but also forgoes an attempt to call for an audit on investments with regards to the socio-economic matrix.

Urban Water Supply and Environmental Improvement in Madhya Pradesh:

Designated 32254-013⁶⁷ under the general sector “Water”, this Asian Development Bank (ADB)-funded project was given a commitment of US \$275 million by the multilateral agency in Madhya Pradesh, which was approved on the 12 December 2003, and has reached a “closed” status on 23 September 2013.

The project is aimed across 4 cities of MP (Bhopal, Indore, Gwalior and Jabalpur), and claims that direct social benefits will be sustained improvements in water supply, sanitation, garbage collection, and disposal within the project cities. Indirect benefits will accrue through improved living conditions, healthier living environments, and prospect of improved health status of the population. The ADB required municipal corporations to establish separate water and sanitation departments, establish a quasi-judicial Water and Sewerage Regulatory Authority for MP independent of the administrative and political compulsions so as to work through regional offices, and form the community water committee responsible for metered public stand posts.

Impact:

The Asian Development Bank calls for a disconnection policy in case of a non-payment and reviews the option of handing over billing and collection to the private sector. The project document calls for increasing household water connections and phase out public stand posts. Under the financial action improvement plan proposed by the project, increase in water tariffs and their dates of implementation have already been laid down by the ADB, and that after 2010, the flat domestic unmetered rates would be discontinued, and all the users will have to buy water at a fixed kilolitre rate. With a 12% rate of interest to the municipalities, the financial viability of the project is questioned on the one hand, and on the other hand, the poor cannot afford to connect to services with the borrowers finding it difficult to repay the loans.⁶⁸

The water supply component of the project comprised of optimisation of the then-present system including reducing of non-revenue water by legitimising unauthorised connections and stopping leakages, expanding the distribution system in unserved areas, and augmenting surface-water production (intake and treatment) as required.⁶⁹ Switching over to the financial obligations, the ADB Loan document states that in accordance with the prevailing practice for externally financed projects in India, the Government will re-lend 70% of the ADB loan proceeds in rupees equivalent at 10.5% per annum with repayments over 25 years including a grace period of 5 years. The remaining 30% will be

⁶⁷ The Webpage for the Project at the ADB Website can be visited at <http://goo.gl/RwqKUa>.

⁶⁸ Rehmat & Dwivedi, G. Water Sector Reforms and their Implications in Madhya Pradesh, <http://goo.gl/fsY9Qf>.

⁶⁹ Project Uday, Urban Water Supply and Environmental Improvement Project, <http://www.projectuday.nic.in/>.

provided as a grant to the Government of Madhya Pradesh, which will on-lend the total proceeds from the Government, on the same terms, to the six project city corporations (two cities Ujjain and Ratlam were originally involved, but later dropped out). But looking at WaterAid's⁷⁰ study on ADB's water supply and sanitation projects in India, the report notes that the rate of interest to the town municipalities would be 12%. As the impact of on-lending on users and end borrowers, the report notes that for the tariff hikes to make projects financially viable, contributions sought from water supply users are unaffordable for the poor and they have difficulty in paying back loans. An Indore Municipal Corporation's note estimates that on Rs 2950 million loan from ADB, the corporation would have to pay Rs 377.5 million as the annual instalment for repayment.⁷¹ Recent reports say that IMC is trying to raise contribution by borrowing from some other International Financial Institution (IFI) and in the case of Bhopal by raising money through sale of their properties. Apart from the above concerns the project is also experiencing cost overruns due to dollar devaluation, high inflation in the Indian economy and under estimation of works during feasibility studies. A proposal has been sent recently to ADB for a supplementary loan to the Government of Madhya Pradesh of US\$ 71 million to cover the cost overrun. The effect of the supplementary loan on the MCs remains to be seen.

While the inclusion of the NGOs to see a smooth functioning of the Project was well intentioned, smooth functioning was always dressed up in rhetoric of components and their diverse forays. Delays started to become inadvertent, thus burdening the people to run helter-skelter for potable drinking water. At the same time, there was a shoot up in the total cost of the Project, which as it has become quite platitudinous rarely finds mention in any reports, courtesy the lenders. All matters of transparent implementation are quashed due to the lackadaisical approach of officials on ground vested with overseeing implementation.

Surely, to a Project mired in delays and controversies of the sort pointed out here, the Parliament must have had some critical deliberations. However, only one particular question⁷² did talk of the monitoring of utilisation of assistance and evaluating the progress of the Project. In response, Ghulam Nabi Azad (Minister of Parliamentary Affairs and Urban Development) said that Periodic Review meetings were held by the Department of Economic Affairs, Ministry of Finance and Donor Agencies to review the progress. Supervision/review missions were also dispatched by these Agencies to the project areas for on the spot assessment, like the ADB, which undertakes benefit monitoring and third party evaluation of the projects. Though, this does talk of certain accountability that the IFIs have, it isn't the case to the Parliament, but to a particular Department under a particular Ministry, which in this case happens to be Finance.

State Power Sector Restructuring Project:

⁷⁰ WaterAid, 2007, 'The true cost of concessional loans: On-lending practices at the Asian Development Bank', WaterAid, London pp 2; 7; 8; 9.

⁷¹ Indore Municipal Corporation, 2006, 'Urban (ADB) Project, Indore Detailed Note', Indore Municipal Corporation, Indore.

⁷² #527, Lok Sabha, Unstarred Questions, Answered on 03/05/2005.

- a. *Orissa Power Sector Restructuring Project*: Designated P035170⁷³, this US \$997.20 million commitment by the World Bank was approved on 14 May 1996 and closed on 30 June 2004. The main objective was to implement a programme of regulatory, institutional and tariff reforms in the power structure, supporting the institutional development of Grid Corporation of Orissa, reinforcing and rehabilitating Orissa's power system and its demand side management to make power supply and consumption more efficient, and upgrading the power sector's environmental performance.
- b. *Haryana Power Sector Restructuring Project*: Designated P035160⁷⁴, this US \$60 million commitment by the World Bank was approved on 15 January 1998 and closed on 31 December 2000. The main objective was to establish a new legal, regulatory and institutional framework, initiating the privatisation of distribution business, and removing the most critical bottlenecks of the system.
- c. *Andhra Pradesh Power Sector Restructuring Project*: Designated P049537⁷⁵ this US \$576 million commitment by the World Bank was approved on 18 February 1999, and closed on 31 August 2003. The Project envisaged two main objectives, of which the first was to bring a permanent shift in public expenditure in the power sector, whereas the second objective was to ensure that the energy requirements of the state are met and that consumers are provided with reliable, cost-effective electricity supply by creditworthy and commercially operated power utilities.
- d. *Uttar Pradesh Power Sector Restructuring Project*: Designated P035172⁷⁶, this US \$236 million commitment by the World Bank was approved on the 25 April 2000 and closed on the 31 December 2004. The project aims to bring about a permanent shift in public expenditure from the power sector to the social sectors and other high priority areas for public investments.
- e. *Rajasthan Power Sector Restructuring Project*: The commitment by the World Bank of US \$266.80 million was approved on 18 January 2001 and closed on 30 June 2006. The objective is to support state power sector reform process, and improve sector efficiency and financial recovery, as well as power supply, reducing critical bottlenecks in the power transmission and distribution system.

Impact:

A radical restructuring of the entire power sector was a major effort undertaken by the Orissa state government to address the ills besetting the state's power sector. The Orissa Government was essentially implementing the model of power sector restructuring conceived by the World Bank. Many other states such as Haryana, Rajasthan, and Andhra Pradesh also accepted the same model, as it was considered an ideal. In fact, the reform bill of Haryana happened to be a near photocopy of the Orissa Electricity Reform (OER) Act. In most Indian states, including Orissa, irrational tariffs and poor performance of SEBs in terms of large T&D losses (technical and commercial), inadequate investments, and high receivables have been the major problems faced by the power sector. These problems have led to poor power quality, power shortages, and

⁷³ World Bank site of the Project is at <http://goo.gl/Fc56bv>.

⁷⁴ World Bank site of the Project is at <http://goo.gl/ANk4IF>.

⁷⁵ World Bank site of the Project is at <http://goo.gl/ZsZaOY>.

⁷⁶ World Bank site of the Project is at <http://goo.gl/Xk6mNX>.

worsening financial situation of the SEBs. Theft reduction, tariff rationalisation, adequate investments in T&D, improved recoveries, and cost control are some of the urgent actions needed for improving the situation.⁷⁷ The reforms in the state of Orissa often considered the “model” reforms, which started under the rule of the Congress in power at the state, but went on even after the regime changed to Biju Janata Dal, have now been touted as a major failure. The obvious question was why would Orissa be selected for the reforms to begin with? Well, two main reasons one being a relatively small size of power sector in the state and two being the not-too burdened tariff revenue making state as anything but under financial duress. Considering the parameters of energy growth and transmission and distribution loss (T&D), the performance based on these was far from desired, as the energy which was expected to grow at 8.3 per cent per year only registered a meagre 3.8 per cent, while the T&D losses expected to reduce to 20 per cent only continued to hover around the 40 per cent mark. In addition, various surveys conducted indicated that the poor remained disconnected from the grid and there was hardly any progress worth mentioning in rural electrification.⁷⁸ The main panacea advocated was the mechanism of unbundling. Unbundling was segregating transmission, distribution and generation into different corporations based on the logic of each segment having a separate value function. The assumptions that rode into unbundling were, the commercial unviability of State Electricity Boards (SEBs) be corporatised to run as commercial ventures; helping reduce T&D losses; generating a competition leading to higher efficiencies and tariff reduction; and attracting private investment particularly in the distribution sector. After the State of Orissa privatised its entire business in 1999, one private investor, the AES left the management of CESCO⁷⁹ with unpaid liability and remaining three companies managed by BSES were served show cause notice for suspension of their distribution license by the State Regulator.

In a short span from 1996-2001, states of Haryana, AP, UP and Rajasthan blindly followed the Orissa model, even before any results of the “model” were tangible. There was almost a blanketing of the country following the “model”, excepting MP, Gujarat and Kerala, which had the ADB support for their power restructuring programmes. State projects had components such as T&D investment, metering, unbundling of electricity boards and setting up of regulatory commissions. According to the World Bank’s Implementation Completion Report, reform projects in Haryana were classified unsatisfactory and unsustainable.⁸⁰ Only AP and Rajasthan projects were rated satisfactory. But, interestingly, the Government of Andhra Pradesh rejected several of the World Bank loan conditions. For smooth flowing of funds, the WB had conditions that the Government of AP was supposed to fulfil at each stage, including privatisation of distribution and generation, hiking the annual tariff rates by 15-20 per cent, implementation of cost-based tariffs and reduction of government subsidy to zero. These conditions were met with hostility from the public after a massive tariff hike of 20 per cent average, and 50-60 per cent for agriculture and poor domestic consumers, which helped put brakes on the reform process. Distribution was corporatised, but not

⁷⁷ For more detailed analysis of the model, refer to Dixit, Sant and Wagle, “Regulation in the WB-Orissa Model: Cure Worse than Disease”, *Economic and Political Weekly*, Vol. XXXIII, No. 17, 25 April 1998.

⁷⁸ Sreekumar N. ‘Electricity Sector Reform’, *The World Bank in India: Undermining Sovereignty, Distorting Development, Independent People’s Tribunal on the World Bank in India*. Michele Kelley & Deepika D’Souza (eds), Orient BlackSwan, Hyderabad 2010, pp. 245-259.

⁷⁹ US Power Major AES to Quit CESCO, Times of India, 28 July 2001, <http://goo.gl/twy0jb>.

⁸⁰ The report can be accessed at <http://goo.gl/7qJ6B7>.

privatised, and the Government subsidy has not vanished, but remained constant. Even with these, there was a marked improvement in the sector finances. In 2004, the Government of AP announced its agriculture free power policy quite against the World Bank's ideas on reforms. The efficiency in the state increased as a result of management initiatives, capital investment, introduction of new technologies and political support and employee cooperation.⁸¹

The reforms have had a wave-like existence in the sector, and thus it becomes quite natural to expect the Parliament to have had crucial interventions in the regard. Power sector was extensively covered with questions pointedly being asked for the reasons behind the World Bank's dissatisfaction over the progress of schemes. In responses to such reasons asked, it was generally expressed as Bank staff's assessment on achievement of development objectives and implementation progress, which was shared with the Government of India and the states concerned.⁸² This totally undermined the role of Parliament as far as information availability and sharing was concerned. Not only that, the Ministry often hid the criteria behind such assessment, throwing in a veil of obfuscation in the process. In one particular case, explanatory question⁸³ was not deemed fit for clarification, and the answered remained indirect in nature again reiterating the fact that Parliament was not supposedly taken into confidence with the findings and assessment. The general norms set out in the second chapter to deliberate on oversight seem to be totally violated in these projects, which were replicated on an ideal that failed utterly.

Narmada River Development (Gujarat) Sardar Sarovar Dam and Power:

Approved by the World Bank in March 1985, with Project ID P009829⁸⁴, The Narmada River Development (Gujarat) Sardar Sarovar Dam and Power Project is part of an inter-state program for the development of multipurpose hydropower and irrigation dams on the Narmada River and their associated irrigation canal networks. The program has been designed to: (a) further the progress of India's long-term power plan; (b) bring potentially valuable agricultural land in Gujarat and Rajasthan under irrigation; and (c) supply domestic, municipal and industrial water for Gujarat. The proposed project consists of dams and power complexes, including a storage reservoir extending about 210 kms upstream from the dam in Gujarat into Maharashtra and Madhya Pradesh. A separate, parallel operation supported by the Bank Group will provide for the first phase construction of an extensive canal network extending for about 440 km through Gujarat to Rajasthan. The project will install 1,450 MW of hydroelectric generating capacity and associated transmission facilities, irrigate about 1.9 million ha in Gujarat and create the potential for the irrigation of 70,000 ha in Rajasthan, and supply about 1,300 million cubic meters per annum of municipal and industrial water.

An independent review, commissioned by the Bank and completed in June 1992, found that the resettlement and environmental aspects of the projects were not being handled

⁸¹ Sreekumar, N., 'Electricity Sector Reform', *The World Bank in India: Undermining Sovereignty, Distorting Development, Independent People's Tribunal on the World Bank in India*, Michele Kelley & Deepika D'Souza (eds), Orient BlackSwan, Hyderabad 2010, pp. 245-259.

⁸² #533, Rajya Sabha Unstarred Questions, Answered on 07/03/2002. Asked by Satish Pradhan (SS)

⁸³ #5386, Lok Sabha Unstarred Questions, Answered on 28/04/2000. Asked by Abdul Hamid (INC)

⁸⁴ The World Bank page for the Project is at <http://goo.gl/zP83DR>.

in accordance with the Bank's policies. Responding to the review, the Bank made its continuing support for the dam contingent on the borrower's achievement of performance standards for resettlement and economic rehabilitation of displaced people, and for environmental protection. But in March 1993, the Bank cancelled the remainder of its loan for the project at the request of the Indian authorities. Project construction is proceeding with other funds.

Impact:

Critiques of the Sardar Sarovar projects by local and international non-governmental organisations (NGOs), academics, and the media are diverse and extensive. Narmada Bachao Andolan has raised the issues of displacement of small farmers and tribal groups, environmental issues and questioned the basic development model that the projects are seen to symbolise. Some NGOs have expressed concern about the safety of the dam. All agree on the need to properly resettle and compensate people adversely affected by the projects.

Public concern about the environmental and resettlement aspects of the projects led the President of the Bank to commission the first ever independent review of a Bank-supported project under implementation. Bradford Morse headed the review panel. Published in June 1992, the independent review (IR) strongly criticised the Bank and borrower for paying inadequate attention to resettlement and rehabilitation and to environmental protection.⁸⁵ The permanent compliance mechanism at the World Bank, the Inspection Panel⁸⁶, first of its kind among multilateral agencies then, has its origins in the IR panel.

This project was quite intensely discussed in the Parliament. A total of 36 times (RS – 13; LS – 23) this project was raised in the Parliament during this period in the context of World Bank. Even though the project was taking scandalous turns, majority of the questions were information seeking about the status of the project or funding. The Ministry of Water Resources for long denied wrong doing by taking recourse to careful deliberations planned before the Narmada Water Disputes Tribunal. According to Vidyadharan Shukla, Minister of Water Resources, "Its benefits cannot be replicated by other means. Necessary steps for the proper resettlement of the Project-affected persons and for the implementation of environmental safeguards required for this project have already been initiated".⁸⁷

Furthermore, in a question asked two years later, PK Thungon (MoS in the Ministry of Urban Development with additional charge of the MoS in the Ministry of Water Resources) gave a detailed response⁸⁸ about thirty members of Japanese National Diet in their letter dated 3 December 1993 writing to the President of the World Bank expressing their concern about the likely impact of the closure of the construction sluices of Sardar Sarovar Project on the people living in submergence villages and urged

⁸⁵ Sardar Sarovar, The Report of the Independent Review, Ottawa, Canada, Resource Futures International, June 1992.

⁸⁶ <http://ewebapps.worldbank.org/apps/ip/Pages/Home.aspx>

⁸⁷ *#408, Rajya Sabha, Starred Questions, Answered on 27/03/1992. Asked by Bhuvnesh Chaturvedi (INC)

⁸⁸ #3237, Lok Sabha, Unstarred Questions, Answered on 17/03/1994. Asked by Saroj Dubey (JD)

the Bank to demand postponement of closure of construction sluices. The Parliament did probe into the project and the reasons as to why the World Bank had to withdraw from the project were finally linked to the Project Completion Report and that too in a nature, which was conjectural. All in all, the true reasons behind the actual withdrawal of the Bank were recorded in an extensive session in the Parliament that culminated in India's capabilities of financing the scheme even if the Bank withdrew. This at least was a project that found some oversight capabilities as far as the sovereignty of the country was concerned.

Iconic Policies

Policies are broadly defined as instruments that establish rules for lending, country-specific economic and sector work, technical assistance, grants, guarantees; fiduciary that establish rules governing financial management, procurement and disbursement; management that focus on monitoring and evaluation; and safeguards assessing environment and adverse impacts on the ecological/cultural/economic and social fabric.⁸⁹ Though policies under study address all the issues outlined above, for brevity, the programmatic definition entails reforms that were suggested by the Bank⁹⁰ and meant to restructure sectors, ranging from strict adherence to conditionalities in order to favourably get 'commitment lending', unbundling, privatising and corporatising sectors to make the field more competitive by having private players, seeking autonomy from public-sector/governmental interference, to name a few. These were ushered in to make sectors more entitled, rather than keeping them public. As is mentioned, all the policies under consideration have had significant consequences and repercussions, with none of them reaching anywhere near achieving what they had set out to initially. The policies were fraught with absence of concrete studies and evaluations, "one-model-fits-all" tendencies, and astronomical expenditures, thus not only making the whole exercise go up in futility, but also promising to set things straight by taking recourse to experimental forays and puerile alibis. Such mistakes were grossly multiplied when the models were set to be replicated at other locations, forcing even the Bank at times to reassess its initial premise. Policies have not only brought about commercialisation of sectors they were worked into, but have also disempowered the people by their onerous mechanisms and implications.

The idea behind looking at these policies and the role of the Parliament is to gauge interventions by the latter when such misguided reforms were being implemented across the country. Were there any discussions and debates on these sovereignty undermining and developmentally distorted reforms in the houses of the Parliament, and if there were, what were they like, who were such interventions from, and what exactly did such interventions seek? Were these mere ordinances, or enacted as Acts and Laws?

Industrial Regulatory Policy:

⁸⁹ Projects and Operation, "Policies and Procedures, The World Bank <http://goo.gl/jBCfWx>.

⁹⁰ For simplicity sake, only the WBG is mentioned here, whereas, there could be significant contributions from the ADB, from bilateral agencies such as DFID and USAID as well.

The Industrial Policy plan of a country is its official strategic effort to encourage the development and growth of the manufacturing sector of the economy.⁹¹ The World Bank (1992) has provided a working definition of the industrial policy as “government efforts to alter industrial structure to promote productivity based growth.” It is probably the most important document, which indicates the relationship between government and business. World Bank’s industrial policy involves a limited role of the state in the economy in order for the markets to function well.

The World Bank, it is known, made specific recommendations covering the industrial regulatory policy in India in a two-volume confidential (at that time) document titled “India: Industrial Regulatory Policy Study”.⁹² In the 1980s, CP Chandrashekhar argued⁹³ that India saw a qualitative shift in the direction of economic policies. These included a reduction in the role of state through taxation over surplus; dismantling of measures of control over prices, production, capacity creation and foreign collaboration; opening up of areas previously reserved for public sector to private investment; direct and indirect tax concessions which were expected to stimulate consumer demand and raise profitability of private production. This shift was in keeping with the hope that this would lead to expansion in investment and growth in private sector. Changes in import policy was envisaged where quantitative restrictions were watered down and tariffs reduced, with the aim to expose domestic producers to international competition while providing them access to cheaper capital equipment and intermediates. Lastly, the shift also witnessed the withdrawal of control on the closure of firms so that the process of restructuring industry is not hindered by the inability of private capital to abandon outdated and obsolete plants and technologies. In his view, this strategy of economic liberalisation was willingly adopted in India in the early and mid-1980s and pushed vigorously by the World Bank. One such effort was articulated through “India: Industrial Regulatory Policy Study”, which focused on four aspects of regulatory policy. These included the industrial licensing system, Foreign Exchange Regulation Act (FERA), MRTP and the policy of closing “sick” industries and the resultant failures. In essence, these policies, the World Bank argued, resulted in reduction in competition. In the view of the World Bank, “... the principle effect has been that of inducing structural and behavioural changes of a kind that provided the basis for the emergence of an inefficient, high-cost industrial sector, which has led to slow growth and creeping technical progress”.⁹⁴

While the ball was set rolling in the 80s, the Parliament was not to be left unaware of Governmental intentions as far as the paradigm shift in industrial policy or reform was concerned. This could find substantiation in the response given to a question⁹⁵ by Brahma Dutt (MoS in the Ministry of Petroleum and Natural Gas and MoS in the Ministry of Finance), who said, “A draft report on India’s Industrial Regulatory Policy has been prepared by the staff of the World Bank as part of their sectoral studies. It is an

⁹¹ Dani Rodrik uses the term in a more extended fashion, such as to encompass “non-traditional activities in agriculture or services. There is no evidence that the types of market failures that call for industrial policy are located predominantly in industry”.

⁹² The document at the time of writing this has still proved an elusive asset. So, most of what gets built into the discourse on IP 1.0 is from secondary and tertiary sources/resources.

⁹³ Chandrashekhar, C. P., *Regulatory Policy and Industrial Growth: The World Bank View*, Social Scientist, Vol. 15, No.167-68 (April – May 1987), pp. 101-121.

⁹⁴ Ibid, Supra Note 6,p. 104.

⁹⁵ #1267, Rajya Sabha, Unstarred Questions, Previously Unstarred Question #ed 337, transferred from 20/04/1987 and answered on 30/04/1987. Asked by Sunil Basuray (CPI-M)

internal document of the World Bank. Its distribution is restricted and recipients of the report are not authorised to disclose its contents. Any decisions on concerned matters would strictly be according to India's own priorities and policies as laid down in the Seventh Five-Year Plan". The answer was succinct, in that neither India's priorities, nor the policies of the government in 7th Five Year Plan were elaborated in line with the question asked by the MP. This answer categorically fits perspectival and hides Governmental agenda from representatives in the Upper House.

The economic landscape had begun to change for India from the mid-80s onwards. By the late 1980s India's international debt was the fourth largest among developing nations, trailing behind Brazil, Mexico and Argentina. By 1991, the size of the debt was US \$71,557 million. India's debt-service ratio moved to around 30 per cent, while her short-term credit component had grown disproportionately. The Balance of Payments situation had continued to be under substantial pressure during 1989-90, the terminal year of the 7th plan. The trade gap had increased from Rs 7,412 crores in 1988-89 to Rs 7,730 crores in 1989-90. Foreign Exchange reserves showed a decline of Rs 788 crores during 1989-90 against the decline of Rs 647 crores in the year 1988. Moreover, repayment liabilities of loans from the IMF were due in September 1990. All in all, signals of a change were imminent. To address these signs of warning, some reforms were set out, like invitation to private firms in sectors that were reservedly for the public sector hitherto; and referring the chronically sick public establishment to the Board of Industrial and Financial Reconstruction. These reforms, which were more 'structural' in nature, found their way into the 1991 Budget⁹⁶ presented by Manmohan Singh, (Finance Minister under P. V. Narasimha Rao).

Point 10 of the Union Budget 1991 criticises the barrier to entry and limits on growth in the size of firms which have often led to a proliferation of licensing and an increase in the degree of monopoly. This has put shackles on segments of Indian industry and made them serve the interest of producers. It is essential to increase the degree of competition between firms in domestic market so that there are adequate incentives for raising productivity, improving efficiency and reducing cost. The Budget welcomed 'Foreign investment' since it would provide access to capital, technology and markets and suggested administrative intervention in interest rates as both necessary and desirable.⁹⁷ Point 16 of the Budget states that the full statutory powers will be given to the Securities and Exchange Board of India for administering the relevant provisions of the Securities Contract Regulation Act and the Companies Act. Transferring these powers from the controller of capital issues and the Government to an independent body would enable it to effectively regulate, promote and monitor the working of the Stock Exchanges in the country.

⁹⁶ Full text of the Budget speech for 1991-92 could be found at <http://goo.gl/4Sh5Iz>.

⁹⁷ The Reserve Bank of India took an important step in this direction, by stipulating a floor rate of interest and providing freedom to commercial banks to charge interest rates above the floor level based on their perceptions of risk. The Government proposes to extend a similar freedom to term-lending financial institutions, where the minimum interest rate would be 15 per cent, and these institutions would be free to charge an interest rate in accordance with their perception of the creditworthiness of borrowers. With the exception of tax free bonds for the public sector, it is also proposed to remove all restrictions on interest rates for debentures, both convertible and nonconvertible, floated in the capital market. Market forces will hereafter govern the interest rate on such debt instruments, and the credit rating of such debt instruments will become an integral part of the capital market process.

It was in 1991 that Government' New Economic Policy came under fire in the Lok Sabha during a discussion on the Bill seeking to amend the Sick Industrial Companies Act and bringing unviable Government-owned units within the purview of the board of Industries and Financial Reconstruction.⁹⁸ There was an intervention⁹⁹ in the Upper House in 1992, when Sarada Mohanty of the Janata Dal asked the Prime Minister whether the Government had given any commitment to the World Bank and the IMF with regard to the closing down of sick public sector units in the country and the accompanying details thereof, to which PK Thungon (MoS in the Ministry of Industry, Department of Heavy Industries and Department of Public Enterprises) replied in the negative.

Ones related to India's Power Sector Reforms:

Let us start this with a pertinent question.

“What were these reforms?”

“Reforms” in the Power Sector in India began in the 1990s.¹⁰⁰ The first phase of the post-1991 power sector reform was based on the independent power producers (IPPs) strategy. During this time, the doors were opened for foreign direct investment (FDI) in the power sector. With this strategy found to have failed, the second phase of the post-1991 power sector reform was driven by WB conditionalities. Its recipe consisted of restructuring of the power sector, involving corporatization, unbundling of the vertically integrated utilities, elimination of subsidies, tariff rationalisation (in the report for Andhra Pradesh the World Bank termed this as “Depoliticisation of Tariffs”¹⁰¹), establishment of electricity Regulatory Commissions (ERCs) and privatisation.¹⁰²

The World Bank model was implemented in the state of Orissa (or Odisha as it called now). In the words of Sudha Mahalingam¹⁰³,

“[T]he origins of the Orissa power reforms can be traced to a World Bank-funded hydel-Project in the State which got stalled in the early 1990s owing to rehabilitation

⁹⁸ Thought there is rarely a mention of the IFIs in this debate, it nevertheless deals with shifting dynamics in Industrial Sector. The web-link for the debate can be found at <http://goo.gl/1m1PGw>. Jumping ahead by a year and switching House to Rajya Sabha, 4 MPs posed a set of questions to the Prime Minister about Worker's Cooperative for Public Sector Undertakings, which were answered by the Deputy Minister in the Ministry of Labour, Paban Singh Ghatowar.

⁹⁹ #2343, Rajya Sabha, Unstarred Questions, Answered on 30/07/1992. Asked by Sarada Mohanty (JD)

¹⁰⁰ Since reforms were initiated in the State level, some of the reports of the World Bank on power sector reforms are: World Bank - 1997: Andhra Pradesh: Agenda for Economic Reforms, India – Orissa Power Sector Restructuring Project, April 1996 (Staff Appraisal Report). Links to both these documents have been provided subsequently.

¹⁰¹ This is generally the World Bank terminology used for the corporatization and commoditisation of public utilities and services.

¹⁰² Amulya K. N. Reddy, Towards a new paradigm for power sector reform in India, Energy for Sustainable Development, Volume VI, No. 4, December 2002, http://www.amulya-reddy.org.in/Publication/2002_12_newparadigm.pdf.

¹⁰³ Sudha Mahalingam (2002), A reform fiasco in Orissa, Frontline, Vol. 19, Issue 10, May 11-24, <http://www.frontline.in/static/html/fl1910/19100420.htm>.

One could also refer to Sudha Mahalingam, The Unraveling of the Reform Experiment in Orissa: A Case of Facile Assumptions, Glaring Fallacies, and Unrealistic Targets, Prayas Energy Group, 2002, http://prayaspune.org/peg/publications/item/download/183_f86ffefccb5f6e8b54ea7c8b25b4dd9.html.

issues. The Bank therefore converted the loan into a reform-linked one and scripted, with the help of international consultants, a reform strategy which consisted of unbundling, corporatising and privatising the power utility in the State.”

The state of Andhra Pradesh also witnessed “Reforms” on similar lines.¹⁰⁴

Even if the crisis in the sector was performance-based, financially-afflicted and credibility-questioned, a lop-sided view only had financial-legitimacy to consider for getting in the reforms. It wasn't the view held by the political or the bureaucratic apparatus, but even the World Bank was culpable for nurturing this parochial stance that finally led to the intervention with the intention of improving the financial stability of the State-Electricity Boards, or SEBs in short. With privatisation forming a crucial aspect of restructuring, World Bank started playing on the malleability of policymakers as well as other financial institutions. Privatisation, as the World Bank envisaged was a means to correct the ever-increasingly-becoming political liability of State Electricity Boards, and thus rectification lay precisely in terms of over-hauling the loss-making sector by bringing in massive capital investments and private operators to eventually start yielding profits.

Staying on with Orissa¹⁰⁵, the reforms were not exactly attaining the mark it has set out to, with dwindling losses by the state-owned transmission company GRID Corporation of Orissa (GRIDCO hereafter), a lagging private distribution system and concomitantly rising tariffs. When the state Government appointed a committee headed by S. Kanungo, its report of 2001¹⁰⁶ lambasted the efforts put in through the reforms, including alleging that distribution companies were neither armed with capital nor with expertise; debilitating health of GRIDCO was aggravated by leniency in payments from these distribution companies thus simultaneously burdening the debt on GRIDCO; and stopping of subsidies by the state Government. If the Report was scathing, three years later, World Bank in its Report¹⁰⁷ was equally merciless¹⁰⁸, rating the overall outcomes of the Project unsatisfactory and unsustainable. It even called the reform and restructuring in the state of Orissa as a work that remained perpetually in progress even at the end of the Project. Not just content with delay in transferring of funds as one of the prime culprits for the unsatisfactory status of the Project, the Report candidly took to dock even World Bank's performance, in addition to regulation, institutional reform, tariff reform, demand-side management and investment, which were all misaligned. The Reforms model, re-christened “Orissa Model” was criticised on many counts. It nevertheless opened up avenues for regulatory commission and unbundling as mantras

¹⁰⁴ Andhra Pradesh: Agenda for Economic Reforms, Report No. 15901-IN, Country Operations, Industry & Finance Division, World Bank, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1997/01/16/000009265_3970625093521/Rendered/INDEX/multi0page.txt and <http://documents.worldbank.org/curated/en/1997/01/695010/india-andhra-pradesh-agenda-economic-reforms>.

¹⁰⁵ Though, this is treated more elaborately in Emblematic Projects, here is only a purview.

¹⁰⁶ A Reform Fiasco in Orissa', Vol. 19, No. 10, 11-24 May 2002, <http://www.thehindu.com/fline/fl1910/19100420.htm>.

¹⁰⁷ World Bank, Implementation Completion and Results Report, Vol. 1, Report No. 30269, 9 December 2004, <http://go.worldbank.org/1703C0W300>.

¹⁰⁸ Though it appears to be a rarity, World Bank has had some bitter criticisms of its own interventions. A couple of such acceptances of shortcomings are pointed out in the study here.

to revive the ailing electricity sector in the country through the 90s and even into the new century, courtesy the Electricity Act¹⁰⁹ passed by the Government in June 2003.

The debates in the Rajya Sabha post 1991 on reforms in the power sector touch upon specific states and ask pointed questions. As an example, let us take the following special mention in the Rajya Sabha, albeit not in full, but quite extensively.

Special Mention¹¹⁰

Question/Point:

IK Gujral, S. Jaipal Reddy, Syed Sibtey Razi (VC) and Dineshbhai Trivedi (MPs):

IK Gujral: Sir, I am raising a point in which the national interest has been flouted. The hon. Minister of Power Kalpnath Rai told the World Bank President in his presence in a TV interview that his department had accepted all the conditionalities of the Bank and that all-out efforts would be made to ensure their implementation. The Minister quoted, "In the Urban Sector, you know, we are trying to implement all the policies of the World Bank. All the conditionalities you have put, we are accepting. As the Minister of Power, I have spoken on this for a long time. I have said that agricultural tariff must be minimum 50 paise. Cost-based and efficiency-based tariff should be applicable. Now, we have accepted the presence of the private sector. We have amended the laws by amending the electricity law in the Parliament. Private sector participation has been allowed because we are accepting your World Bank policies." As a continuation of that, the Government has taken a very unusual step. They have decided to privatise electricity distribution in Delhi, for which tenders have been called. All this is being done, without this House being taken into confidence. One wonders if this is a liquidation of the PSU shares, or is it a liquidation of the policies.

S. Jaipal Reddy: Sir, we all associate ourselves with the special mention raised here. The statement of the Minister cannot be a statement of the individual minister, but is rather the position of the Government. Will the Finance Minister rise and tell the House whether it is the same as the viewpoint of the Government?

Manmohan Singh (Minister of Finance): Sir, as far as the position of the Government is concerned, whether it is the power sector, or any other sector, we are implementing programs and policies that are in the national interest. It is well known that the power sector in our country is not doing well, and therefore the World Bank is not keen to lend more money. Now, in this process, there are certain conditionalities, I don't accept it is against our national interests to help improve the working condition of our power sector.

IK Gujral: I agree with the Minister that we should try and make the energy sector more efficient, but that does not mean selling the country. That does not mean accepting the conditionalities of others. That does not mean humiliating the country. I strongly feel

¹⁰⁹ The Electricity Act, 2003 is an Act of the Parliament of India enacted to transform the power sector in India. The act covers major issues involving generation, distribution, transmission and trading in power. The full text of the Act could be visited at <http://goo.gl/b9fzGq>.

¹¹⁰ Special mention debated in the Rajya Sabha on the 1 December 1992 and having four MPs including the Vice Chairman. This is not reproduced in full.

that the Minister of Power made the statement irresponsibly, and I think this House has the Right to call him and ask as to why and in what circumstances in the presence of the World Bank President, did he make the statement. He has always at least tried to provide the cover in the form of national interest.

Dineshbhai Trivedi: Sir, I would like to make just one point in association. The moot point, ***the conditionality, which affects the consumers in India, should have been discussed with the people of India through this House and also the honorable Lower House before talking to a foreign agency*** (emphasis added).

S. Jaipal Reddy: Mr. Kalpnath Rai must come forward with an explanation or he must be dismissed from the Government.....

The Government of India informed the Rajya Sabha in 1992 that WB conditionalities were accepted by it. In a special mention, it was noted by Mr. I. K Gujral that the Power Ministry had declared that all conditionalities of WB had been accepted including cost and efficiency based tariff as well as private sector participation. He mentioned that the Government of India had decided to privatise electricity distribution in Delhi without discussing with the House and that this amounted to humiliating the country. With respect to states, for instance, information was sought on WB suspending loans to Karnataka Power Generation and Systems Improvement Project, and whether the Bank had insisted that the state discontinue free subsidised supply to farming community. Was it the case that while the WB was insisting the subsidy was not to be made available to the farming community, as Amulya Reddy argued in the paper¹¹¹, subsidies for losses in the collection of electricity charges were made available to the distribution companies? The concerned Minister in the Power Ministry noted that the loan assistance to Karnataka Power Project I & II were cancelled because of non-compliance with the covenant on revision of tariff for electricity supplied to the agricultural sector. The state Government of Karnataka, it is noted, made “considerable efforts...to explain its position” and representations were also made to WB for reconsideration after the loan cancellation.

So, why did the Reforms failed? Well, the following seven¹¹² points come to mind immediately:

1. undermining the democratic process whereby consensus was not sought before enacting the reforms, but rather consensus was sought on the prescription of reforms;
2. regulatory systems opened up vulnerabilities to sabotage, rather than throwing up opportunities, in that regulatory systems were installed to overlap with the World Bank prescriptions in being investor-friendly¹¹³;

¹¹¹ Amulya K. N. Reddy, Towards a New Paradigm for Power Sector Reform in India, Energy for Sustainable Development, Vol.VI, No. 4, December 2002, http://www.amulya-reddy.org.in/Publication/2002_12_newparadigm.pdf.

¹¹² Sreekumar, N., ‘Electricity Sector Reform’, *The World Bank in India: Undermining Sovereignty, Distorting Development, Independent People’s Tribunal on the World Bank in India*. Michele Kelley & Deepika D’Souza (eds), Orient BlackSwan, Hyderabad 2010, pp. 245-259.

¹¹³ Compared to the earlier situation in power sector, some spaces for participating in governance (through transparency, accountability and participatory provisions) were created. However, due to limited or lack of capacity of CSOs, 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

3. reforms did not look exhaustively at the rural electrification;
4. lack of accountability of the World Bank, in that the blame for the fiasco was transferred to the Government for its role, reliance upon too much optimism without tariff rationalisation;
5. incomplete sector analysis, where the Bank proceeded with a single-track mind trying to mould the ground realities into its logical framework by advocating promotion of privatisation without actually understanding the history of privatisation in India;
6. ignoring situational requirements, where the Bank always believed in 'one-size-fits-all' philosophy; and lastly
7. positional prejudice with emphasis on State electricity Boards unbundling, cross subsidy reduction and distribution privatisation, where the grounds were always fertile for the governments to willingly or otherwise take an anti-public interest action.

Seed Bill 2004

The World Bank has funded significantly in Agriculture and Irrigation Projects to India. These encompassed changing technologies in doing agriculture, institutions created and dismantled that have been allied with the sector, and structural adjustments/economic restructuring projects in the sector.

With the foundation of the National Seed Corporation (NSC)¹¹⁴ in 1963, the doors were open to importing new high-yielding varieties. In 1988, the World Bank brought in the National Seeds Project III with US\$150 million, where the focus was to privatise the seeds industry and open the country for letting in multinational seed corporations. According to the Abstract¹¹⁵ provided on the World Bank Website for the Project, The objective of the Third National Seeds Project is to support the Government's efforts to assist farmers by ensuring the timely availability of quality seeds at economical prices, through the expansion and modernisation of the seed industry. After India signed the GATT Agreement and joined the WTO, these agreements required that India made some changes to its laws, especially regarding the Intellectual Property Rights. These requirements were met through the Protection for Plant Variety and Farmers' Rights Act, 2001. In 2002, a new National Seed Policy was released and to meet the goals of this policy, the new Seed Bill was drafted and tabled in Parliament in 2004. The main objective of the Seed Policy was to reduce the Government's involvement in seed production and marketing, and actively encourage the private sector to engage in R&D of new varieties. This objective was suggested since in many quarters, the Government's involvement was often blamed for the backwardness of Indian agriculture, and therefore

excluded the small consumers and disadvantaged sections from participating in the 'independent' regulatory system. Thus the new regulatory system became a danger for unrestricted domain for investors and private players who had the space and the capabilities to participate in these regulatory systems. Shantanu Dixit, Girish Sant and Subodh Wagle, 'Regulation in the WB-Orissa Model: Cure Worse than Disease', *Economic and Political Weekly*, Vol. XXXIII, 17th April 1998, pp. 946-949.

¹¹⁴ National Seeds Corporation (NSC) is a Schedule 'B'-Miniratna Category-I company wholly owned by Government of India under the administrative control of Ministry of Agriculture; can be visited at <http://goo.gl/gWixi5>.

¹¹⁵ The entire Project page and accompanying literature could be accessed at the World Bank site <http://goo.gl/ZCl9XC>.

a withdrawal of sorts would only end up complementing existing structures and replacing these whenever necessary by the private operators.

In the thoroughly researched words of Vandana Shiva, "In 1998, the World Bank's structural-adjustment policies forced India to open up its seed sector to global corporations like Cargill, Monsanto and Syngenta. The global corporations changed the input economy overnight. Farm-saved seeds were replaced by corporate seeds, which need fertilisers and pesticides and cannot be saved. ... The shift from saved seed to corporate monopoly of the seed supply also represents a shift from biodiversity to monoculture in agriculture."¹¹⁶ This wasn't a palatable taste of things to come, when she presciently termed the imminent corporatization as "suicide economy" for farmers, where extraction of massive profits from farmers in the form of royalties and by intentionally transforming seeds from a renewable resource that farmers could save to a non-renewable resource that they must buy in the market every year on the one hand to crafting an Agreement on Agriculture¹¹⁷, which has promoted dumping and denying farmers their right to fair prices in the third world, on the other.

Ever since the Seed Bill 2004 was introduced, it has met with severe opposition from farmers, who recognised it as an assault on their traditional rights over seeds. As a result, it was referred to a Parliamentary Standing Committee, which did recommend several amendments in keeping with the concerns of farmers' organisations. A 2008 edition of the Bill introduced in Parliament accepted many of these recommendations, but that Bill lapsed with the 14th Lok Sabha. Once again in 2010, the Cabinet approved a new edition of the Bill, and the Agriculture Minister moved several amendments in November 2010 and in February 2011. The Bill, incorporating the latest amendments, will now be called the Seed Bill 2011. The Standing Committee had recommended that only accredited government/semi-government/autonomous organisations, such as the Indian Council of Agricultural Research, State Agricultural Universities, conduct such trials. The 2008 edition of the Bill had accepted this amendment, but the 2010-11 version reverts to the 2004 Bill's provision for private 'organisations fulfilling the eligibility requirements' to conduct the trials. This will undoubtedly lead to conflict of interest, wherein the tame in-house organisations of Monsanto-type private interests may qualify to conduct the trials on the seeds marketed by the same interests!

Similarly, the Bill provides for Central and State Seed Testing Laboratories. But while the 2008 version of the Bill had, in keeping with Standing Committee recommendations, excluded laboratories in the "non-government sector," the 2010-11 version again brings back the clause allowing seed testing laboratories "in the Government or non-Government sector". The latest amendments in the Seed Bill allow the Central Government to exempt from the provisions of the Act "any educational, scientific, research or extension organization". Unless this clause is restricted only to well-

¹¹⁶ Shiva, Vandana, 'From Seeds of Suicide to Seeds of Hope: Why Are Indian Farmers Committing Suicide and How Can We Stop This Tragedy?' 29 May 2009,

http://www.huffingtonpost.com/entry/from-seeds-of-suicide-to_b_192419.html?section=india.

¹¹⁷ Under the auspices of World Trade Organization (WTO), the Agreement is made up of three pillars, market access, export competition, and domestic support. All WTO members, except the Least Developed Countries (LDCs), were required to make commitments in all these areas in order to liberalize agricultural trade. The weaknesses and recommendations of Agreement on Agriculture could be located at <https://goo.gl/YW05EC>.

established public sector institutions, in-house 'research' institutions of private seed companies might seek and secure exemption! The Bill does not provide for any time-bound mechanism for farmers to get a hearing for their complaints, nor does it set out any terms for compensation. Grievance redressal must be time-bound, and compensation should be fixed to cover costs incurred by the farmer, as well as the shortfall from the value of the expected yield and promised performance. The Seed Bill in its present form stipulates no adequate safeguards to protect against 'terminator' seeds. It paves the way for GM (transgenic) seeds being researched and marketed by MNC seed monopolies, without putting in place any adequately stringent procedures for verifying bio-safety or safety for human consumption.

The Seed Bill, including many of the latest amendments, indicate that powerful commercial interests and seed companies are exerting pressure on the policy-makers in the UPA Government. These pro-agribusiness features of the Bill must be resisted and the Seed Bill must protect farmers' rights, incorporate adequate safeguards against commercial and MNC interests seeking to control the seed market, and guarantee farmers' rights to proper supply of affordable and high quality seeds. This clearly shows that nothing much has changed for the farmers over the years from the decade of the 60s to even inside the turned century. Even the amendments have a malicious touch to them, and these are to be attributed among many different reasons, the powerfully orchestrated non-participatory, seemingly translucent and unaccountable public participation resulting in severe exacerbation of woes to the already crisis-ridden agricultural sector. Once again, it has to be noted that even without the Bank's direct involvement, seed sector policy paradigm shifts have had an inertial existence playing to the rhythms set towards the latter half of the last century.

Even though Standing Committee was constituted, it did little to keep the farmer's interests at the forefront. Questions in the Parliament focused little on such consequences, but were garnered towards assistance whereby such technology could be developed and implemented.¹¹⁸ It is quite appalling that as the sector was undergoing tectonic changes, the Parliament for some rhyme or reason conveniently overlooked or rather kept itself ignorant about the policy and the associated projects, and thus clearly underlining the fact that there was no democratic decision-making process adhered to while designing and implementing such policies set up at the behest of the World Bank.

National Water Policy 2002

The rush to privatise water services through stipulations in trade agreements and conditions in loan agreements is only the baby step in an attempt to privatise all aspects of water, since the end goal is to substitute community ownership of water for the commons with corporate control. With whatever rhetoric as weapons of argument to prove the efficacy of their involvement, the IFIs have scores of cases that prove otherwise. Let us look at a question in the Rajya Sabha in 2005.¹¹⁹

Question/Point:

RP Goenka (MP, Rajya Sabha):

¹¹⁸ #4252, Rajya Sabha, Unstarred Questions, Answered on 26/08/1994. Asked by Ajit P.K. Jogi (INC)

¹¹⁹ #729, Rajya Sabha, Unstarred Questions, Answered on 29/11/2005. Asked by R. P. Goenka (INC)

- a. Whether Government has reviewed a recent report of the World Bank, titled “India’s Water Economy Bracing for Turbulent Future” highlighting *inter alia* that the current water development and management system in India is not sustainable;
- b. If so, the details thereof; and
- c. The details of the major findings/observations contained in the Report and specific steps taken/proposed to be taken for improved water management/conservation practices?

Sontosh Mohan Dev (MoS in the Ministry of Water Resources): Mr. John Briscoe of the World Bank has recently prepared a draft report titled “India’s Water Economy: Bracing for a Turbulent Future”. The report is based on a study conducted by the World Bank on its own. The report in general discusses various aspects of water resources development and management in India and broadly covers the issues related to:

- i. Adjusting to the needs of a changing India;
- ii. Adjusting to scarcity and greater variability;
- iii. Dealing with growing conflicts;
- iv. Maintaining and reviewing existing infrastructure;
- v. Building infrastructure in under-served areas and for under-served public purposes;
- vi. Making the transition from development to management and development;
- vii. Revitalising the machinery of the Government to deal with turbulent water future; and
- viii. Charting a prioritised, sequenced, pragmatic path for making improvements.

The National Water Policy, 2002 states that the resources should be conserved and the availability augmented by maximising retention, eliminating pollution and maximising losses and for this, measures like selective linings in the conveyance system, modernisation and rehabilitation of existing systems including tanks, recycling and reuse of treated effluents and adoption of traditional techniques such as mulching or pitcher irrigation and new techniques like drip and sprinkler may be promoted, wherever feasible. (EoA)

Starting in the decade of the 90s, the loans from the World Bank/World Bank Group (including the private arm, the International Finance Corporation (IFC)) have been diverted from project loans to sector loans to fund sector-wide programmes, thus influencing and financing the privatization of the public utilities and assets in order to commodify water in rural and urban areas. IFC has been the world’s largest funder of global water projects, providing advice for governments and loans for companies to take over and invest in under-resourced water and sanitation systems in developing countries, often as part of a broader set of privatisation policies. World Bank’s engagement with the water sector in India has been on from the very initial days of the Bretton Woods Institution, be it in the form of building big dams, or massive irrigation projects, the Bank has been scoffed at for effectuating in its wake large-scale displacement, unsustainable usage of water, and land logging. Though there has been a shift in the way water privatisation is looked at, the shift has been a result of political turmoil/backlash as a result of direct water privatisation, since direct privatisation

envisaged higher profits, which burdened the people living within fragile economies thus leading to social unrest. The advocates of water privatisation invented the rhetoric of privatisation deemed “pro-poor” through the mechanisms of Public-Private Partnerships (PPPs). As there has been never been a paucity of donors eyeing profits through this sector, even the bilateral donors are jumping into the fray and shaping services and sanitation programmes in order to extract a pie of the profit. The World Bank is not alone in bringing this about, but has been amply complemented by Asian Development Bank and even bilateral agencies such as the UK’s DFID. Though, reforms were badly needed, but the way the financial institutions were working on these, resulted in commercialising the sector. The reforms¹²⁰ generally comprised of:

1. Unbundling (separation of source, transmission and distribution of water)
2. Introduction of an independent regulator, to free the sector from political interference
3. Steep rise in tariffs
4. Full cost recovery
5. Eliminating subsidies
6. Supplies cut-off for non-payment
7. Retrenchment of staff
8. Private sector participation and public-private partnerships
9. Allocation of water to the highest value use through market mechanism
10. Policy prescriptions, restructuring processes and even legislation being drafted by highly expensive international consultants.

These policies have had far reaching impact, which can be summarised as follows:

1. Severe rise in public lending to many not even in a position to afford water for domestic purposes
2. Non-payment or inability to pay leading to disconnection,
3. Agricultural sector pushed in further crisis/distress that could lead to political unrest
4. Dismantling of common public utilities and facilities like hand-pumps, which have traditionally supplied water for many
5. Transformation of the system to cater only to the paying customers
6. Huge profits for the private players and companies
7. Likelihood of private ownership of community sources of water
8. Large-scale retrenchment of public-sector workers¹²¹

In the words of Shripad Dharmadhikary¹²², commercialising the operations and creating tradable water entitlements changes water from being a right to an entitlement that can be purchased or sold to bypassing conflicts involving water resources with the moneyed class buying it off, and all of this cohering towards the agenda of business-driven opportunities. What is this, if not scant respect for multiple covenants declaring water as a basic right?

¹²⁰ Dharmadhikary, S., “The Privatisation of Water”, In *World Bank in India: Undermining Sovereignty, Distorting Development*, Orient BlackSwan, Hyderabad, 2010, pp. 260-295.

¹²¹ Ibid.

¹²² Ibid.

What is palpably clear from this chapter is the particularly non-existing nature of oversight in the Parliament. Although, these cases of projects and policies were reinforcing cases, they have largely proven the point set out in the second chapter. Whatever superficial approximations to these could be traced were left arbitrarily lurking. Though this chapter has been slightly prolix in nature in deliberating what exactly these projects and policies were, the point driven home nevertheless remains that information on these was scant and scattered and therefore secondary and tertiary sources¹²³ were heavily relied on.

¹²³ Primary sources and resources incidentally were Parliamentary Debates and Discussions for the research.

Conclusion

We are not dependent on the Bank. If it is available, we will take it. But, it is a very small amount of money.

-- M. Naga Raju, Director, Fund-Bank Division, Ministry of Finance, Government of India (2008).

The peril of fiscal federalism is ultimately driven by politics...if the Centre is merely a loose, logrolling coalition of regional interest groups, it has a hard time resisting bailout requests or firmly regulating the fiscal behaviour of local [i.e. sub-national] governments. Furthermore, intergovernmental grants and loans from the centre to the lower-level governments are likely to be highly politicized. The central government party or coalition will be tempted to use its discretion over the allocation of grants strategically, attempting to shift resources to allies or districts with electoral importance.

-- Jonathan Rodden, *Hamilton's Paradox: The Promise and Peril of Fiscal Federalism* (2006).

Civil Service

Not geared to development problems.

Scared to death of decisions.

Excessively hierarchical.

Unwilling to collect, analyse, or reveal factual information leading to possible criticism, even self-criticism (pathological).

Committees – no staff work.

Planning Commission

Pathetic leadership.

Inadequate system of establishing criteria.

Overly concerned with day-to-day operations.

Wholly unable to keep track.

Government and economic policy

Motivation – economic development and economic relief, but both hopelessly confused. Result “sentimental planning.” No real overall policy-making or mechanism capable of ascertaining facts and presenting issues squarely.

-- Benjamin King, Resident Representative in New Delhi.¹²⁴

India is large for the World Bank, but the World Bank is small for India.

-- Excerpt from World Bank Country Strategy for India 2009-12.

India, which has been the largest borrower from the Bank has of late been getting financing in the range of US \$3.5-4 billion per annum, which even though isn't a negligible amount still happens to be minuscule as the contribution to country's development is a meagre 3.5 per cent (approximately). But, this in no way means that external assistance is rolling down the hill, but on the contrary various avenues have opened up in the form

¹²⁴ World Bank Archives, Box 55, India-Consortium Meeting, September-December 1963, Central Files 1946-71, Operational Correspondence India, King to Stevenson, October 24, 1963.

of contributions, be it from the bilateral development lenders, export credit banks, or even national banking and non-banking financial institutions. According to NK Singh¹²⁵, a long-time government official,

India's relationship with the World Bank can be seen in three phases. In the first phase, as a source of project financing to support large capital expenditure at a time when access to external credit was limited. In phase II, notwithstanding liberalization efforts in the 1980s, our balance of payments remained fragile and an external crisis loomed large. The economic crisis in 1991 obliged seeking World Bank resources along with the IMF facilities to finance critical imports and honor debt obligations [...] access to these funds were contingent on significant covering trade, industrial regulation, banking and financial sector reform, apart from fiscal prudence to ensure macro-economic stability. In phase III, beginning from the mid 1990s, the World Bank has become an active development partner and has even tried to mainstream policies in state governments with the national objectives. For central sector projects, its policy prescriptions have increasingly mirrored what we have ourselves adopted in the ninth and tenth five-year plans. They have increasingly realized the limitations of preconceived development paradigms in the so-called Washington Consensus.

“So, what does the World Bank now mean to India?”, Singh asked. First, he suggested, “it continues to be a valuable source of external credit,” at competitive costs compared to domestic or other external borrowings, “for infrastructure like roads, power, ports, airports, rural roads”. Second, concessionary IDA assistance is valuable, given the high poverty ratio in India, “for sustaining the social sector, particularly health, education, rural sanitation”. Third, the Bank can facilitate “creative financial engineering” for public-private partnerships during India’s process of market deregulation. Finally, the “Bank’s engagement with state governments” has evolved from a concentration on “better performing states” to a newer emphasis on “poor performing states”. Singh suggested¹²⁶ that the Bank imposes “conditions which circumscribe our economic sovereignty” was a “somewhat misunderstood concept”:

India is a success story and the Bank among others would like to be seen as part of this success. We need not grudge it this comfort. In the 57 years of interaction, our needs and their predilections have undergone tectonic shifts. There are not too many borrowers with large demands and a credible record. We need the Bank, but the Bank needs us as much.

The last line signals to a situation of indispensability and this has often been bloated by allegations of obscurity in the manner New Delhi engages with Washington DC-based Bretton Woods Institutions. When the study was set up, one of the contentious issues was a large degree of opacity shrouding the horizontal or lateral oversight, i.e., within the Parliament. In other words, the decisions of high-level selections to these institutions, even if under the purview of the Appointments Committee of the Cabinet (composed of Prime Minister, Chairman, Minister of Home Affairs and Minister-in-

¹²⁵ Singh, N. K., “World Bank Needs India as Much as We Need It” Indian Express, 28 August 2005, <http://www.indianexpress.com/oldStory/77103/>.

¹²⁶ Singh, N. K., “World Bank Needs India as Much as We Need It”, Indian Express, 28 August 2005, <http://www.indianexpress.com/oldStory/77103/>.

Charge of the concerned ministry), are generally made in utmost secrecy. There is a “revolving door” policy linking senior economic posts in New Delhi to the Bretton Woods Institutions in Washington DC. Some voices of dissent contend that the prominence of such high-profile technocrats in India’s policy formulation reflects a conscious design on the part of the international institutions to insinuate a neoliberal agenda. Shankar Acharya, the Indian economist took this criticism head on and asked why should serving as a staff member in World Bank, IMF or the Asian Development Bank before serving in the top tiers of India’s economic and financial administration be a problem? In his opinion, there might not be enough people with such experience in India’s centres of economic and financial policy formulation. Even if one does not agree with this particular point, it seems strange that it should surprise anyone that Indian technocrats with specialised skills and country-specific experiences will cycle through the IFIs, and stranger still to assume that this would somehow weaken India’s capacity for upholding its sovereignty and economic interests in the engagements with the institutions. Influence just may operate in the reverse: Indian technocrats can play a role in encouraging more realistic analytical frameworks, and appropriate assistance strategies, on the part of the external institutions.¹²⁷ And so much for the Country Assistance Strategy (CAS), which is presumably based on the exact synergy. The Indian state power in its relationship with the World Bank often led to an underlying misunderstanding for participatory democratic debate. Well, incidentally, an underlying misunderstanding would be an understatement, for the study has clearly shown that out of the entirety of questions deliberated in the Parliament for the said period, the topic of “this” aspect of lateral democratic oversight wasn’t participatory at all.

Looking back at the final epigraph that introduces this chapter taken from the India CAS 2009-12, *India is large for the World Bank, but the World Bank is small for India*: even cursorily, this describes graduation the country has accomplished from Phase I to Phase III of its relationship with the World Bank as described by NK Singh in the beginning of this chapter. This clearly indicates that India could still make do without Bank’s assistance, and without a doubt would witness a profound shift when it reaches an endgame with the IDA. India has reached a stage where it could well avoid being a part of the “ritual dance” of pro forma promise making to secure World Bank assistance, for it could simply ignore it if it doesn’t agree with policy reforms and restructuring as suggested by the Bank.¹²⁸ This was quite unlike the case some decades ago, or even at present in cases involving underdeveloped countries. This point is further corroborated by Michelle Miller-Adams, who says¹²⁹,

The limited voting power of borrowers understates the influence they can wield. Borrowing countries have a say in Bank policies, although theirs tend to be ‘negative’ power, the power to say no rather than to place a new issue on the institution’s agenda. This source of influence has its roots in the Bank’s steady expansion and historical equation of success with higher lending levels. In order for the Bank to grow,

¹²⁷ Kirk, J. A., “India and the World Bank: The Politics of Aid and Influence”, Anthem Press 2011, London, pp. xx.

¹²⁸ Callaghy, T. M., “Towards State Capitalism and Embedded Liberalism in the Third World: Lessons for Economic Adjustment”, Joan Nelson (Ed.), *Fragile Coalitions: The Politics of Economic Adjustment*, Washington DC, Overseas Development Council, 1989 pp. 115-38.

¹²⁹ Miller-Adams, M., *The World Bank: New Agendas in a Changing World*, New York, Routledge, pp. 10-11.

and before it can request a capital increase, demand for its loans must rise, and that demand comes from borrowers. Thus, borrowers exert control over the Bank by their willingness or unwillingness to accept the conditions of Bank lending. Those borrowers that have access to other sources of capital (such as middle-income countries that can now borrow on private markets) and large countries in which the Bank needs to do business in order to maintain its loan volume are more powerful than the smaller and poorer developing countries.

Now, has India really reached this position where the Bank is supplicant in its relationship with the country rather than the other way round? To quote Robert Frost, “There still might be miles to go...”, but the country at least is empowered enough in Phases II and III to place innovation at the Country Assistance Strategy level.

On the policies front, what never really became clear from the study whether the Policy was passed in the Parliament as an ordinance to further its permeability, or was it debated and discussed and then finally ingrained. Moreover, the policies were discussed in tune with projects tied with reforms such as the Power Sector policy. But, where it elevated to a more critical stance, it was as a result of breach of covenants, but not really due to reasons as to why the failures were contagious and why the replication was even allowed. The study could not unearth the enactment of Power Sector policy, but did figure out a consequence of the Reforms model, re-christened “Orissa Model”, which was criticised on many counts, and opened up avenues for regulatory commission and unbundling as mantras to revive the ailing electricity-sector in the country through the 90s and even into the new century, courtesy the Electricity Act passed by the Government in June 2003, which was an Act of the Parliament of India enacted to transform the power sector in India. The Act covered major issues involving generation, distribution, and transmission and trading in power.

The debates and discussions did not point out towards undermining the sovereignty of the Parliament when the push was being effectuated. It was not just the sovereignty of the Parliament, but importantly, the sovereignty of the nation at stake and even in such a scenario, there wasn't any mention of the note unearthed during the study period. It also seems like such a push was effected without a discussion in the Parliament and probably decided upon as an ordinance to be brought in and tabled. Though, it may be immature to reach this conclusion, but then the study did not reveal anything to prove it otherwise.

Concluding Remarks

There is no dearth of literature on the critique of WB/IMF, ADB and other multilateral and bilateral development finance institutions. Most of these encompass a range of concerns from formulating policies, investing in projects with scant respect for the habitat or ecology, and non-implementation of safeguards that are instituted to follow the principles of “Do No Harm”. Moreover, policies channel into projects, which often lead to fracture of safeguards leading to attrition between these institutions and those these purportedly set out to “assist”. Multilateral Development Banks (MDBs) generally attach ‘conditionalities’ on borrowing countries, which are generally in alliance with ‘Washington Consensus’, focusing on liberalisation of trade, investment and financial

sector, deregulation, and privatisation of nationalised industries. It is to be noted that these conditionalities are imposed without paying due respect to and regard for the individual borrower country's circumstances and resoluteness to adapt to them. The former Chief Economist of the World Bank, Joseph Stiglitz, calls these conditionalities as 'one-size-fits-all' philosophy towards development, wherein market reforms have been pushed with excessive zeal and haste, and to counter it the countries must be free to experiment with alternatives and follow paths that best suit their situation and needs.¹³⁰

IMF and the World Bank are often referred to as Knowledge Banks, or repositories with expertise in the field of Financial Regulation and Development Economics. There is a growing apprehension that such an expertise could lead to prescriptions undermining other alternative avenues of development economies. These obviously could cut across a country's internal policy standards with recommendations. Largely, a country could take up this research with seriousness and then decide whether to implement any or all of it to restructure its priorities.¹³¹

IMF conditionalities also trigger a loss of country's sovereignty or authority to formulate its own economy as national economies are switched to predetermine dictates of the Washington DC-based institution, and in its wake raising issues of representation as a consequence and where developing countries or emerging economies share little voting rights. In the Indian Parliament, such questions have been raised during the period under consideration.¹³²The World Bank on the other hand has drawn flak for its funding development projects, many of which are mired in controversies regarding the social and environmental implications on people in affected areas and grounded in ethical ramifications such as land grabbing, forced evictions and displacements, destroying livelihoods and damaging rich ecologies. Ironically enough, all of these activities are carried out under the banner of "Eliminating Poverty".

What about the political factions, the Right and the Left in general? The *Right* interestingly calls the World Bank as moving from "Lender of the Last Resort" to a "global welfare organisation". The critics on the *Right* characterise the Bank's lending policies as often rewarding macroeconomic inefficiencies in the underdeveloped world and allow inefficient kleptocracies to avoid the type of fundamental reforms that would in the long run end poverty in their countries. Conservatives, on the other hand point out that the World Bank has lent close to US \$400 billion over half-a-century, mostly to the underdeveloped world with little to show for it. One study argued that of the sixty-six countries that received funding from the bank from 1975 to 2000, well over half were no better off than before, and twenty were actually worse off. The study pointed out that Niger received \$637 million between 1965 and 1995, yet its per capita GNP

¹³⁰ Dawson, Thomas, C. (Director, External Relations Department, International Monetary Fund), "Stiglitz, the IMF and Globalisation", A Speech to the MIT Club of Washington, <https://www.imf.org/external/np/speeches/2002/061302.htm>

¹³¹ #6782, Lok Sabha Unstarred Questions, Answered on 10/05/2000. Asked by Chandrakant Bhaurao Khaire (SS). The question dealt with the pension scheme as advocated by the World Bank and if the Government of India had taken any notice of the same. Further, it also inquired if Dr. Dave Committee's recommendations were grounded in the scheme as promulgated by the World Bank.

¹³² #2683, Lok Sabha Unstarred Questions, Answered on 23/12/1994. Asked by Mumtaz Ansari (JD) & Sheela Gautam (BJP)

had fallen, in real terms, more than 50 per cent during that time.¹³³ The *Left* has been no less harsh in its criticism of the World Bank. They have been consistent in their claims that World Bank loans privilege large infrastructure projects like building dams and electric plants over projects that would benefit the poor, such as education and basic health care. Worse, these projects often have wreaked havoc on the local environment. Forests, rivers, and fisheries have been devastated by World Bank–financed projects, leaving the people hitherto dependent on these natural resources extremely vulnerable to being subjected to a tear in the socio-economic fabric. It is here that the voices of the multitudes are silenced, dissent is not tolerated, and apparatuses of law and order manipulated and directed at these peripherals. For the vast toiling masses, political representation becomes a sham as political representatives themselves often are allegedly in malfeasance with the diktats of financial institutions. This is not only deleterious for healthy democracy with regards to people, but also for within and between representatives often found clueless and helpless as a result of obfuscation when engaging with these institutions. Thus oversight becomes imperative to bring transparency and accountability in such engagements.

In the words of Anirudh Burman¹³⁴, Harvard Law School,

The Indian Parliament is the ideal institution to perform such a monitoring function through oversight of the central executive. The executive in India is directly accountable to the Parliament. Making oversight by Parliament stronger and more effective would therefore increase the accountability of the executive. Additionally, an increased oversight role would allow for greater policy inputs from Parliament to the executive. It would also increase the general level of expertise within Parliament by making parliamentarians more technocratic and giving them greater avenues for specialisation in different aspects of policymaking.

The Oversight of the executive could be brought about by enacting a law formalising such mechanisms within parliamentary committees. Such committees would then be reinvigorated by extending them greater autonomy, clearer powers and research support as central tenets for better functionality. But what about legislative oversight? In the modern democratic welfare state, there has been an increasing proliferation of state activities as a result of ever-expanding administrative areas, and as a result of which parliamentary role has merged with *ex post facto* supervision. Debates and discussions in the Houses provide an opportunity for reviewing the functioning of administration on the floor, be it legislative, or budgetary. Such discussions enable the legislative to keep the executive in check.¹³⁵ In other words, Parliament may exercise control through these discussions by appraising governmental policies and their implementation. Post the 1991 reforms, the system of financial control was found wanting in dealing with the dynamic needs of planning and implementing the massive schemes and programmes of economic and social development. Decentralisation of responsibilities, delegation of financial powers, cost-benefit analysis of projects, performance budgeting, accounting

¹³³ Details available at <http://goo.gl/pqouh5>.

¹³⁴ Burman, A., “*Parliamentary Oversight of the Executive in India*” 2012, available at http://works.bepress.com/anirudh_burman/1.

¹³⁵ Most of what follows in the paragraph is brilliantly explicated by Sanjeev Kumar Mahajan and Anupama Puri Mahajan in “*Financial Administration in India*”, PHI Learning Pvt. Ltd., New Delhi, 2014, pp. 308-318.

reforms, zero-based budgeting, inculcation of financial consciousness in business departments, and changes in audit have been some of the major developments. Parliamentary/Legislative oversight over these financial institutions could be,

1. either at the time of policy-making, or
2. in controlling the implementation of the policy.

This oversight is attainable when the legislative has control over bureaucracy, which it is to be reiterated is pretty much instrumental in giving recommendations over the course of such policies and policy implementations. This is possible either through a non-specific manner, or through a comprehensive assessment of governmental activities, including audit. This invests the legislature with the power to approve or disapprove with the way the Government plans its projects and policies. Thus, the legislature has three core functions in representation, law making and oversight.

Every attempt has been made to make this research thorough; however, shortfalls and drawbacks cannot be ruled out considering the sheer volume of debates and discussions under purview. The setting of parameters to figure out or hunt for oversight has eased matters tremendously, but one couldn't bank on their exhaustiveness. There are surprises along the way, and many a times compelling reasons to believe in ambiguities as probably indicators of oversight. But, constraining the scope has narrowed down the focus in a positive manner, while lowering chances of following up on hyperlinks, which themselves are armed to lead astray and keep the work from a never-ending satisfaction. It undoubtedly has affirmed the conviction that oversight as visualised in the beginning of this project has been missing, despite some pointers and indicators to prove otherwise. Steps taken in the right direction have been noticed to falter midway for lack of follow-up or blunt arbitration in responses.

That Parliamentary Oversight is *sine qua non* is indisputable, for representative democracy would run its spirited discourse only if the will of the people and those representing the will of the people could rightfully point towards mechanisms of openness, transparency, accountability and inclusivity, whereby fruits of development are held more equitable. Clandestine affairs are for vested interests and are to be absolutely abhorred in any form of democracy, for they also contort the very definition of democracy, and along the way the 'demos'.

Annex I

Details of Questions considered for the Research

Lok Sabha				Rajya Sabha			
Year	Enquiry	Explanator	Total	Year	Enquiry	Explanator	Total
1985	27	48	75	1985	12	9	21
1986	50	52	102	1986	20	19	39
1987	52	54	106	1987	33	18	51
1988	40	44	84	1988	30	15	45
1989	19	28	47	1989	27	16	43
1990	60	19	79	1990	23	11	44
1991	15	52	67	1991	27	14	41
1992	98	26	124	1992	53	31	84
1993	25	48	73	1993	87	37	124
1994	34	72	106	1994	62	19	81
1995	6	106	112	1995	49	29	78
1996	95	2	97	1996	49	11	60
1997	61	4	65	1997	36	6	44
1998	79	3	82	1998	24	12	36
1999	17	23	40	1999	15	8	23
2000	82	84	166	2000	79	25	104
2001	79	2	81	2001	41	51	92
2002	42	101	143	2002	9	29	38
2003	50	29	79	2003	3	29	32
2004	31	21	52	2004	4	43	47
2005	5	58	63	2005	2	43	45
2006	6	21	27	2006	7	64	71
2007	57	11	68	2007	0	43	43
2008	16	12	28	2008	2	11	13
2009	2	0	2	2009	0	5	5
#	1048	920	1968	#	694	588	1282

Enquiry = 1742

Explanatory = 1508

Questions/Enquiries = 3250

Annex 2

International Parliamentary Petition for Democratic Oversight of IMF and World Bank Policies

We, the undersigned Parliamentarians;

Noting this is the 60th anniversary of the creation of International Monetary Fund (IMF), and World Bankthe Bretton Woods Institutions (BWIs).

Recognising that the IMF and World Bank have voiced a commitment to ensuring individual countries determine their own economic policies.

Noting that key economic policies continue to be imposed by both the World Bank and the IMF as conditions for receiving debt relief and new loans, with Boards of the BWIs retaining the power of veto over all measures including those in Poverty Reduction Strategy Papers.

We therefore call on the BWIs and their principal shareholders to ensure that the democratically elected representatives of recipient nations are the final arbiters of all economic policies in their countries.

It is vital that national parliaments in recipient nations have the right and obligation to be fully involved in the development and scrutiny of all measures associated with BWI activities within their border, to hold the final power of ratification.

