2 India: fields of despair

'Something is terribly wrong in the countryside…'

MS Swaminathan, chairman of the National Commission of Farmers

On the morning of 2 February 2005, 32-year-old Lachi Reddy seemed no more depressed than usual. He had been worried for months about the mounting debts on his three acres of potatoes and, his wife Bujjamma believed, today was no exception.

The harvest was due and Lachi knew he was in the wrong crop. Seed potatoes were expensive and as they grew, they were thirsty for the water and fertiliser needed to force the dry, red earth round his village to yield a viable crop.

Ever since he had begun farming a decade ago, these extras had cost more and more. So Lachi had borrowed. First from the banks and when they said no, from the private lenders. There were plenty of those and they rarely said no. But their yes came at a cost – in Lachi's case, 36 per cent interest on the repayments.

But even with all the latest pesticides and chemicals to throw at the land, making a living had been a huge struggle for Lachi. Over the years, sales hadn't come close to covering costs.

Then, two years ago, the situation deteriorated rapidly. The last of the surface water evaporated in the storage tanks around his village in the Medak area, as it fell victim to the severe drought covering much of the Deccan Plain in the Indian state of Andhra Pradesh.

Without water there was no hope so Lachi did what all his neighbours had done, and borrowed even more money – 80,000 rupees (£970) – to dig a bore well.

It was a gamble. There might not be any water where he dug, and the men from the agricultural ministry who could tell him where to dig hadn't been seen for years. But unless Lachi spent the money, he would never find out. The alternative – doing nothing – invited certain failure. Besides, he might strike it lucky.

He did. There was water where he dug. Only now his troubles lay elsewhere. The price of potatoes at market had fallen too low even to repay the interest on the loan for the well, let alone all his other debts which now amounted to some 170,000 rupees (£2,060).

So, two years ago, Lachi had decided he would have to change to another crop. Sugar cane was the answer, he thought.

It seemed a more reliable cash crop than potatoes. And he couldn't go back to traditional farming. Given his debts, just growing the crops he needed for his own family was no longer an option.

The trouble was that now he didn't have enough money to buy the cane or the labour to plant it. The banks continued to refuse any more loans, and now even the private lenders were saying no.

The only option left open to this proud man was to go round to his friends and neighbours pleading with them to lend him some money. It is hard to imagine what it took for Lachi to ask this. For the sake of his wife and two young sons, he had to try.

He must have known that everyone in his home village of Raipally was in the same position. He must have realised, therefore, that he would be rebuffed. Perhaps he knew even then that the alternative was far worse.

Christian Aid/John McGhie

Lachi Reddy's widow, Bujjamma, grieves the day after her husband killed himself by swallowing pesticide

So, on that February morning as Lachi looked out at his potatoes waiting to be harvested, he must have realised that his troubles were far more than simply being in the wrong crop.

But we can only surmise what he really thought, because at 10.30am Lachi told his wife that he wanted to get something from the bullock cart. Without anyone seeing him, he went back to his empty hut and swallowed a bottle of Endo Sulfan pesticide.

With this inside him, he returned to Bujjamma. He told her once more about the potatoes and the debt and the sugar cane and the water, and how he believed that he could not care for his family.

While talking, he collapsed. He never regained consciousness and died later that day in the local hospital.

His mother, Ningamma, said the next day: 'He was worrying about the loan, but we told him not to worry about it and that we could repay the loan by working hard. But he didn't even listen to us. He took his own life.'

Andhra Pradesh: dying of debt

Lachi Reddy is not alone. In villages across Andhra Pradesh, where 11 million farmers live, suicide has become all too common.

In 2004, 2,115 of the state's farmers took their own lives. This represents more than 40 people a week – or nearly six a day. Since 1998, 4,378 farmers have committed suicide in Andhra Pradesh. In the three years prior to that there were several hundred more.

By any scale this is an epidemic – yet there has been scant mention of it anywhere outside India.[21]

A shocking snapshot of the current agricultural crisis, however, is provided by headlines from a local newspaper over one five-day period in early 2005.

'Cotton Farms Turn to Killing Fields'
Deccan Chronicle, 4 February 2005

'Landowners Beg in the City'
Deccan Chronicle, 7 February 2005

'Three Farmers End Lives'
Deccan Chronicle, 8 February 2005

Suicide survey

State	1998	1999	2000	2001	2002	2003	2004	2005	Year Unknown	Total
Andhra Pradesh	221	200	276	372	446	588	2,115	140 (up to end of March)	20	4,378

A major new survey is being conducted on farmer suicides in India.[22] (Its results for Andhra Pradesh can be seen above.) It reveals that throughout the country some 22,000 men and women have been driven to such despair in the past decade that they have ended their own lives.

The causes of any suicide are always complex. Many areas of India have been afflicted by terrible droughts which have exacerbated existing problems. It is also true that farmers from all around the world have always taken their own lives for a variety of reasons.

But in Andhra Pradesh the numbers of such deaths rose sharply from the mid-1990s (see above). In this report we argue that this rise has been caused by an agricultural crisis in the state which has provoked a crisis of personal debt and misery among farmers. This, in turn, has resulted in an escalation of suicides.

We will show how this agrarian crisis was caused by a zealous programme of liberalisation and privatisation brought about by the World Bank, and the International Monetary Fund – with the active support of the UK government.

Christian Aid's findings correspond closely to those of the Commission on Farmers' Welfare set up by Andhra Pradesh's government. In 2005 it concluded that agriculture in the state was in 'an advanced stage of crisis', the most extreme manifestation of which was the rise in suicides among farmers.

Chaired by Professor Jayati Ghosh of Jawaharlal Nehru University (JNU), the commission concluded that the causes of the problems related directly to public policy and economic strategy at both a local and national level.

There is widespread agreement among academics that the main consequence of Andhra Pradesh's agricultural malaise was severe personal debt for farmers.[23] This is a view shared by Professor Ghosh's commission, which stated that the heavy burden of personal debt among farmers is the 'most acute proximate cause of agrarian distress'.

As Utsa Patnaik, an economics professor at JNU, says: 'There may be various reasons for the farmers' suicides, but the most important one seems to be the very high level of indebtedness… The question is: why should there have been this phenomenon leading to high indebtedness…?'[24]

There are solid institutional reasons why so many farmers have been plunged into debt. They can be summarised as a:

- steep rise in the costs of inputs
- volatility, and often a fall, in the price of produce
- lack of proper agricultural advice
- lack of access to formal lines of credit.

In plain language this means that farmers like Lachi Reddy have been forced to pay more for their seeds, fertilisers, pesticides, water and power. And at the same time, the price they've received for their crops at market has swung wildly and even fallen. Round this off with an inability to get bank loans and a sudden absence of proper advice from the state government on what crops to grow where, and farmers are on the fast track to ruin.

The reasons why costs have gone up and prices down while the agricultural infrastructure has largely disappeared can be ascribed to the liberalising and privatising policies adopted by the former government of Andhra Pradesh (it was voted out of office in May 2004). It was aided and abetted by the IMF, the World Bank and the UK's DFID.

As the Commission on Farmers' Welfare put it, economic policy in India at central and state level 'has systematically reduced the protection afforded to farmers and exposed them to market volatility and private profiteering without adequate regulation; has reduced critical forms of public expenditure and has destroyed important public institutions, and did not adequately generate other non-agricultural economic activities.

'While this is a generalised rural crisis, the burden has fallen disproportionately on small and marginal farmers, tenant farmers and rural labourers, particularly those in drier tracts. The most extreme manifestation of the crisis is in the suicides by farmers.'

In many senses, this human disaster represents the nadir of the policies which rolled out two decades ago from the Washington Consensus,[25] washing up on Indian shores as liberalisation driven by the IMF and World Bank.

While in Whitehall, the rhetoric is changing over whether liberalisation is the one true path out of poverty,[26] what has happened in Andhra Pradesh underlines the fact that this change is long overdue. It serves as an object lesson to liberalisers on what can happen when the wrong medicine is prescribed.

The storm gathers: India and global liberalisation

The factors which caused Andhra Pradesh's farming crisis can be divided into those that affected India as a whole when it took out IMF and World Bank loans in 1991, and the particular policies pursued by the state's former government in partnership with international donors such as DFID.

First, there are the national, or macro, factors.

The IMF and World Bank

The current agrarian crisis in Andhra Pradesh arguably has its origins in India's deep fiscal problems of the late 1980s.

By 1991, India's foreign exchange reserves had nosedived. Non-resident Indians led the flight while at home inflation soared. Public and current account deficits were matched by foreign debt and India's international credit rating had slipped dramatically. A lack of confidence by foreign investors coincided with a political crisis. Two governments fell within five months and, to cap it all, former prime minister Rajiv Gandhi was assassinated.

Into this mess stepped the IMF and the World Bank in July 1991, promising economic stabilisation in return for structural adjustment.

The measures decided on by a prosperous Indian elite hungry for inclusion in the new global vision were many and varied. What is certainly true is that most of the macroeconomic measures which began in 1991 contributed significantly to the scale of farmers' debts.

P Sainath/The Hindu

Pedda Narsamma, wife of groundnut farmer

Committed suicide: 1 December 2002

Pedda Narsamma (in portrait) was the bond that held this poor dalit family together. The strain of doing most of the work herself, including running their rather poor-quality five acres, was already great. Health and wedding expenses added to her burden. Her husband Madhiletti (seated right) and extended family.

Pandhi Parthi village, Anantapur district, Andhra Pradesh

Devaluation

One national measure which had an immediate effect was the devaluation of the rupee by some 25 per cent. This meant that Indian crops were suddenly cheaper, making them very attractive on the world market, and led to an export drive.

Farmers were encouraged to shift from growing a mixed bag of traditional subsistence crops to concentrating on single cash crops. This was fine while it lasted, but dangerous in the longer term as farmers found themselves competing in a volatile market.

According to Indian environmentalist Dr Vandana Shiva, the total area of the country's farmland growing traditional grains declined by 18 per cent in the decade after 1990-91. Meanwhile, areas growing the non-food crops of cotton and sugar cane increased by 25 per cent and ten per cent respectively. Between 1998 and 2001, food production shrunk by 12.8 million tonnes to 196.1 million tonnes.[27]

This move to non-food cash crops had another effect which was to increase hugely the amount of water, pesticides and fertiliser required to grow them. In turn, this had a significant impact on farmers' debt, forcing them to borrow money for wells and other inputs.

What has still not been truly brought to light is the effect this export-orientated market has had on India's ability to feed itself. As exports of basic foodstuffs such as rice and wheat increased, stocks for domestic consumption – to feed the poor and to reserve in case of famine – have plunged. In September 1996, for example, there was a fall of ten million tonnes in reserve food and there have been increasing reports of hunger deaths.[28]

Trade liberalisation
Another IMF-led measure which had a major impact on farmers in Andhra Pradesh and throughout India was the phased withdrawal of quotas, duties and tariffs on food imports.

By 2001, India had completely removed quantitative restrictions from nearly 1,500 items – including food. Oilseed production was particularly badly hit by cheap imports. By 1995, Indian production had risen to around 22 million tonnes and the country had become a net exporter of oilseed products.

But when oilseed was liberalised and duties removed, the domestic market crashed as highly subsidised foreign palm oil flooded into India. The net result was that, by 1997, the country had reverted to being an importer, spending US$1 billion on cheap foreign oils.[29]

Structural adjustment
With accession to the World Trade Organisation (WTO) in 1995, India was a fully paid-up member of the liberalising club of nations. The thrust of the reforms under the World Bank's structural adjustment programmes (SAPs) began to bite.

A World Bank memorandum to the Indian government, subsequently leaked to the public, entitled 'Trade Reforms in India' demonstrates the vast extent of SAPs.[30] It lists the following recommendations:

- devaluation
- new industrial policy to allow foreign investment
- opening up more areas for private domestic and foreign investment
- partial disinvestment of government equity in profitable public sector enterprises
- sick public sector units to be closed down
- reforms of the financial sector by allowing in private banks
- liberal import and export policy
- cuts in social sector spending to reduce fiscal deficit
- amendments to existing laws and regulations to support reforms
- market-friendly approach and less government intervention
- liberalisation of the banking system
- tax reforms leading to greater share of indirect taxes.

This constitutes the usual fundamentalist prescription for liberalisation that envisages a withdrawal of the state from key industrial, economic and agricultural sectors to be replaced by private corporations. In an unfettered market, comparative advantage will be seized by those who have the initiative. And, as the saying goes, the devil take the hindmost.

An important part of this shrinking of the state is the withdrawal of state subsidies. From the purist perspective, subsidies distort markets and cannot be tolerated. They prop up the weak, offer unfair shelter to the inefficient and hinder the search for the golden product in which the country or region will have a 'natural' comparative advantage.

It was not surprising, then, that the 1990s saw large falls in fertiliser subsidies. Fertiliser had benefited from considerable national-government subsidies ever since the 1960s when the 'green revolution' in food production earmarked it as a crucial component in the chemical-led assault on hunger.

The percentage by which fertiliser was subsidised rose steadily to peak in the mid-1980s, but in the late-1990s it began to fall away, declining by a dramatic two-thirds by 2000.[31]

In 1994, for example, a 50kg bag of urea cost 138 rupees, whereas in 2004 it cost 251 rupees – a rise of 82 per cent. Similarly, diammonium phosphate went up 108 per cent from 234 rupees to 486 rupees, while muriate of potash rose an astonishing 283 per cent from 231 rupees to 885 rupees.[32]

What did all this mean to farmers in Andhra Pradesh? It was yet another increase in costs – almost an exponential one given the increased use of fertiliser that a switch to cash crops entailed.

Banking

Changes to the banking system provide another example of how the push for liberalisation helped give farmers an extra shove down the spiral of debt.

India's main banks were nationalised in 1969, and one of the new tasks they were ordered to undertake was to prioritise lending to the agrarian sector. Consequently, there were significant increases in interest-rate controls, as well as in resources directed through credit programmes aimed at agriculture and the small-business sector.

But those agriculture-friendly lending policies came to an abrupt end with the Narasimham Committee on Banking. It was set up in 1991 by the government to redress perceived inefficiencies in the banking sector and to pave the way for liberalisation.

Via various redefinitions of what constituted priority lending, Narasimham slowly squeezed credit lines to farmers. According to Professor Ghosh and CP Chandrasekhar from the JNU, credit levels now even fall well below the 18 per cent level prescribed by the committee.[33] According to Andhra Pradesh's 2004 credit plan, the proportion of bank lending to agriculture fell from 43 per cent in 1998 to 26.7 per cent in 2003.

'The formal credit squeeze upon Indian agriculture is now acute,' say Chandrasekhar and Ghosh. 'This has led to severe problems of accessing working capital for cultivators, and has also meant the revival of private money lending in rural areas. Such retrogression has extremely disturbing implications for the future of Indian agriculture.'[34]

Narasimha Reddy, economics professor and Dean of Social Sciences at the University of Hyderabad, points out that the private sector banking reforms which ensued were even more drastic.[35]

'In the 1970s over 200 rural regional banks were created with the specific task of lending to scheduled tribes, low castes and very small farmers,' he says. 'They still exist but their mandate has changed so the target is different and asks to provide loans at commercially viable rates. And now there is a more aggressive recovery policy.'[36]

In summary…
Before looking at Andhra Pradesh's state-level policies, it is worth summarising what effect these nationwide changes had on farmers.

The devaluation of the rupee made exports cheaper and so helped lead a charge into cash crops and away from traditional farming. Some profited from this, but most were hit hard by the vagaries of a market which saw world agricultural commodity prices halve between 1995 and 2001. Others were hit when India dropped duties and other restrictions so that their crop of choice was suddenly left at the mercy of cheap imports.

To get into cash crops, farmers had to pay out considerably more than previously, and so they borrowed. Banking reforms meant that institutional credit was far less available, forcing farmers into the grasp of private lenders. As Christian Aid can confirm, many of these private lenders charge extortionate rates (anything between 36 per cent compound and 100 per cent).[37] They also pursue more aggressive recovery policies – in other words, they will not hesitate to seize land that farmers offer as collateral.

So debt rises, heaping misery on poor farmers to such an extent that many take what they see as the only way out: suicide.

P Sainath/The Hindu

Palla Nagireddy, 60, farmer and marriage broker

Committed suicide: 4 April 2003

His wife Lakshmi Devi (above) is still distraught.

Jambuladhine village, Anantapur district, Andhra Pradesh

A recent study of 40 farmer suicides in the Anantapur district of Andhra Pradesh showed that the average total debt ran at 106,318 rupees (about £1,300) of which around one-quarter was to institutional sources and three-quarters to private lenders.[38] This is a huge amount for farmers who often measure their yearly income in hundreds of pounds.

According to Professor Patnaik at JNU: 'There was a scenario where farmers had gone in for a heavy level of indebtedness and been forced to do so by private money lenders at a high cost due to withdrawal of low-cost institutional lending. At the same time, the input prices went up and output prices crashed. This is a ready-made scenario for agrarian distress.'[39]

Power reforms

In August 2000, three people protesting against electricity reforms in Andhra Pradesh were killed in violent clashes with armed police. This was just one of dozens of demonstrations and strikes that erupted across the state that summer in response to a massive tariff hike.

More than 20,000 people were arrested. Members of the State Assembly went on hunger strike. Consumers refused to pay their electricity bills. A visit by James Wolfensohn, then the World Bank president, to Hyderabad was disrupted by protests, much to the embarrassment of the state government.

Increased electricity prices had been part of an ambitious effort to reform Andhra Pradesh's state-owned electricity board (APSEB). It had been losing money for decades.

When the government expressed a desire to revamp the antiquated power company in 1995, Britain's DFID and the World Bank were quick to step in.[40] Working hand in hand, the donors drew up and jointly funded the far-reaching Power Sector Restructuring Programme. This would see the entire sector handed over to the private sector, total elimination of power subsidies to farmers and annual tariff hikes of 15-20 per cent.

The state government faced a real dilemma. Its longstanding policy of subsidising agricultural electricity users had proven a success. Cheap power was a major factor in allowing farmers to increase production. But farmers' electricity consumption had soared since they started using high-yielding hybrid crops, introduced during the 1960s. The main way to irrigate them was by using electric pumps and bore wells. The cost of subsidising this was becoming unbearable for APSEB.

DFID spent £1.5 million on consultants to advise the government on how to restructure APSEB. Like the World Bank, DFID was convinced that Andhra Pradesh's 11 million farmers had to start paying their way to bring APSEB out of the red.[41]

The UK was firm that the best way to promote 'pro-poor development' was to focus 'its money and attention on the key governance issues of inefficiencies in the public sector and huge subsidies in the parastatal energy sector'.[42] But the move proved controversial. Critics of the reform process argued that it was unfair to pin so much of the blame on farmers, as theft of power and inefficiencies in transmission and distribution were equally problematic.[43]

But with donors united on the need for subsidy cuts and rural metering as the way forward, the government of Andhra Pradesh willingly swallowed their prescription – sweetened by the offer of £138 million in grants from DFID and the World Bank to implement it.

The Electricity Reform Act came into force in February 1999, supported by the World Bank and DFID who have donated £197.2 million towards the project.[44]

Following the deaths and protests of 2000, the government lost its nerve. The reform process stalled. In 2003, the World Bank abandoned the project four years ahead of schedule. Only two out of the four planned phases of reform had been completed. The Bank admitted that it had 'substantially underestimated' the 'complexity of the process' and that there must be 'increased communication and consultation with the farmers to get their acceptance' of any further reforms.[45]

When the new Congress-led coalition government took power in May 2004, free power for farmers was one of its key vote-winning policies.

Andhra Pradesh and the World Bank

If the scene for the liberalisation of agriculture was set at the macro level by the Indian government, the IMF and World Bank, many of the particular circumstances for Andhra Pradesh's farmers were defined by decisions at state level.

But whereas the reforms at the national level were crisis-driven, Andhra Pradesh's reforms were driven by a state government that was only too eager to embrace liberalisation and privatisation.

During the 1990s, State Chief Minister Chandrababu Naidu's Telegu Desam government was looking for a way to lead Andhra Pradesh into what he saw as a modern economic era of technology and rapid development. Naidu envisaged the state as a hi-tech player in the information revolution. The fact that 70 per cent of the state's economy derived from agriculture was apparently immaterial.

Nicknamed the CEO (chief executive officer) of Andhra Pradesh because of his enthusiasm for business and economic reform, Naidu enthusiastically adopted World Bank policies.

In 1998 Naidu's zeal resulted in the first ever state-level (as opposed to national) agreement with the World Bank – the Andhra Pradesh Economic Restructuring Programme (APERP). This entailed the World Bank giving the state US$830 million in return for a series of structural reforms in local government and industry over the next five years.

To fashion those structural changes, Naidu enlisted the expertise of international business consultancy McKinsey. In January 1999, they came up with a strategy called *Vision 20-20*. It turned out to be a highly controversial blueprint for action. Although many of its aims were laudable – for instance, 'by 2020 every individual in Andhra Pradesh will be able to lead a comfortable life, filled with opportunities to learn, develop skills and earn a livelihood'[46] – it was its means that drew the flak.

Vision 20-20's remedies for agriculture were particularly contentious. It foresaw 30 per cent of the agricultural population – some 20 million people – being shifted into other sectors as the industry became more efficient and better organised.

The new form of agriculture that was posited was essentially a corporate one which saw small farms giving way to larger ones as farmers switched to more mechanised export-led cropping. Markets were to be opened and the private sector invited to take a much larger share in providing agricultural services. Agriculture was to become agribusiness.

Naidu set the ball rolling by making the state withdraw from the agricultural sector, enabling the

P Sainath/The Hindu

Pedda Bhimaiah, 50, cotton farmer

Committed suicide: 21 November 2003

Widow Lakshmamma holds a picture of her dead husband. All her three sons went into bondage in a bid to pay off mounting debt.

Mannanuru village, Mahbubnagar district, Andhra Pradesh

private sector to step in. This could be done actively, via a privatisation programme, and passively by letting state-run organisations wither on the vine.

'The state of Andhra Pradesh had become almost a laboratory for every extreme form of neoliberal experiment,' said Jayati Ghosh and CP Chandrasekhar.

DFID and privatisation

DFID's view of its role in the world is pretty clear. In its own literature, the department describes it thus:

'The Department for International Development is the British government department responsible for promoting development and the reduction of poverty.' Nowhere is this mission pursued with greater vigour than in India. The subcontinent has been far and away the biggest beneficiary of DFID's money, receiving some £764.4 million in the last five years, almost three times more than any other country.[47]

And among all the Indian states, Andhra Pradesh tops DFID's list. The impoverished state has received some £248 million in the last five years, almost a third of the department's total Indian budget.[48] It is the 'flagship focus state'.

In its Andhra Pradesh state strategy paper, DFID says its aim is to work with Indian partners towards ending poverty and realising rights for all.

To a large extent DFID has done – and commendably continues to do – just this. For example, it has given £20.6 million to improve tuberculosis treatment for the poor, and has earmarked more than £45 million for an ambitious programme aimed at raising the number of children participating in primary education.[49] Schemes like the AP Rural Livelihoods Programme and the AP Urban Services for the Poor work in the same way, getting to grips with some of the main problems that beset poor people.

On the other hand, a significant amount of DFID's work in the state has proved far more controversial and appears to be several steps removed from its main task of straightforward poverty alleviation.

Until the UK government's volte-face on conditionality earlier this year (see chapter 1), the main springboards out of poverty as DFID saw it were liberalisation and privatisation.

Some experts are in no doubt as to where this led.

'The crises of suicides are very clearly a result of public policy. And this has been guided by and substantially determined by agencies like DFID. They bring in an attitude towards privatisation as well as specific policies,' said Prof Jayati Ghosh.

Privatisation
In 2001, DFID donated £5.9 million towards the setting-up of Andhra Pradesh's Centre for Good Governance, a kind of thinktank on poverty issues with a special brief on tackling corruption.

Yet not long afterwards, DFID also provided overt (and far more contentious) financial support for Naidu's privatisation programme. A grant of US$3.1 million (£1.65 million) was used to help set up a body called the Implementation Secretariat (IS) whose task was to assess the state's assets, decide which were worth keeping, and either sell, close down or restructure the rest.

P Sainath/The Hindu

Baja Ramesh, 30, sugarcane farmer

Committed suicide: 21 November 2003

Of six borewells he invested in, just one gave Baja Ramesh any water at all. His mother Anjamma (right) and brother Srinivas recall his struggle.

Dhongala Dharmaram village, Medak district, Andhra Pradesh

The IS was sited within Andhra Pradesh's Public Enterprises Department and answered to the most senior civil servant in the department, an Indian Principal Secretary. However, it was afforded considerable freedom within the bureaucracy as it was thought that ordering the Indian civil service to dispense state assets might be risky as not all of them were aboard the privatisation wagon.

As the state's own strategy paper on public sector reform spells out:

'From the experience of the past in India and internationally and work done to date in Andhra Pradesh, the government feels that the existing administrative structure and processes are not conducive to implementing privatisation of public sector enterprises.'

DFID did not operate the IS itself. Instead, it awarded the contract for running the secretariat to the right-wing, free-market fundamentalists from the British-based Adam Smith Institute.

Adam Smith provided a number of its privatisation experts to work at the IS on a consultancy basis at the same time as managing the contracts of the Indian secretariat. These British experts included a lawyer, an IT specialist, a finance person and various other management types.

According to IS insiders we have talked to, these consultants would jet in for a few days – sometimes a couple of weeks – at a time to oversee the privatisation process.

Adam Smith also hired dozens more consultants to carry out the most detailed work required to assess, sell and restructure Andhra Pradesh's state-run assets. Christian Aid has a list of over 80 of these sub-contracted consultants. Most of them are locally-based, one- or two-person operations, but

DFID, restructuring and job losses

While DFID was helping ‘downsize’ thousands of public sector workers, it was also giving Naidu’s reforms a ‘human face’.

Part of a £1.6 million DFID grant for public enterprise reform went to the Social Safety Net Programme (SSNP). Set up in 1999 to help workers after they had been made redundant, some of the money went on redundancy payments but most was for counselling and retraining support.

The programme was innovative and took great steps to provide some comfort to the jobless.

Bharat Bhushan, who was hired by the Adam Smith Institute to work on the SSNP, told Christian Aid: ‘The reforms induced trauma. There have even been suicides among those who lost their jobs. When the spinning mills closed down, a handful of workers committed suicide. One hanged himself.

‘We share the process of bereavement [due to job loss] with them, talk to the family, give career counselling and retraining,’ he added.

But the programme had another purpose which was threatened in late 2003, when DFID said it would pull its funding. According to a letter seen by Christian Aid from a top Andhra Pradesh civil servant under Naidu, the DFID-funded project was pivotal to the success of the privatisation programme to which it gave a human face.

In February 2004, Deepak Kumar Panwar, the principal secretary to the Public Enterprises Department wrote to Charlotte Seymour-Smith, the head of DFID-India, protesting the termination of the UK department’s funding.

In a section entitled ‘The Human Face of Reform’, Mr Panwar wrote: ‘Privatisation cannot proceed in Andhra Pradesh without a strong and innovative social safety net programme for workers based on redundancy payments and counselling and retraining support.’

It continued: ‘Donor support in this area also helps us to emphasise that donor objectives and motives are driven by social concerns as well as by a reform agenda about which many remain suspicious… with fears that it is driven by western, neo-colonial motives.’

While there is no doubt that the SSNP helped the unemployed, it is clear that it also acted as a key justificatory mechanism in the face of considerable local opposition to the reform-inspired cuts.

Mr Panwar’s letter is explicit on this matter: ‘Implementation of private enterprise reforms in Andhra Pradesh has been a trailblazing programme that stands out in India and as a result all those involved in these reforms including DFID are increasingly open to scrutiny and criticism from those who are opposed to the reforms.

'Thus our ability to implement SSNP successfully is a key element in the defence of public enterprise reforms by the government of Andhra Pradesh. We apprehend that further changes to SSNP organisation and support at this juncture will threaten/jeopardise its current success.'

The change in government in May 2004 meant that Naidu's reforms came to an end, but the hurt to workers laid off during that period lives on – as does the British government's responsibility for those redundancies.

Mr Bhushan, whose contract with Adam Smith runs until July 2005, told Christian Aid: 'It is shocking that they [DFID] are withdrawing at this stage. It will have a very adverse impact. Even if reforms have come to an end, any sensible project would continue to help those affected by it... It's irresponsible to back out. It's like not taking care of the offspring of divorced parents just to punish the parents.'

DFID told Christian Aid that it had not prematurely ended its support for the safety net programme.

In a statement it said it had made £375,000 available to the SSNP under Phase I of the Reform programme (1998–2003). DFID added that under Phase II it would still be providing administrative costs while the Andhra Pradesh's Public Enterprise Department took 'fuller ownership' of the programme, including funding for the SSNP from its own budget.

there are also some international consultancies like PriceWaterhouseCoopers.

Until the state election in May 2004 when the whole programme came crashing down with the demise of the Naidu government, the IS was immersed in a whirlwind of privatising activity. State-run enterprises tumbled; a film called *Rays of Hope* was made, extolling the virtues of privatisation; corporate logos were devised; liquidators brought in; redundancy notices issued; ledgers cleared; and final accounts called.

It was a heady time for those in on the project. Naresh Kumar, IS's former media spokesman, recalled the frenetic speed of the operation.

'The input for the CEO [Naidu] was tremendous. We'd be hitting the media every four days. Sometimes I felt a little bit edgy at the pace of it all,' he said.[50]

At the project's heart was Adam Smith. With his ringside view, Kumar saw the measure of the British consultancy's influence.

'The Adam Smith Institute could see the CEO at any time: it was phenomenal access. Every day there was a foreigner in the premier's office.'[51]

Another Adam Smith manager, who did not want to be named, told Christian Aid that the institute's British personnel were rarely not in attendance.

'When these programmes were in full swing, there were one or two persons from [the Adam Smith Institute in Andhra Pradesh] every day. They stayed about ten days.'[52] And as Adam Smith's influence grew, so too did the number of state-run enterprises to get the chop. In phase one, 19 went down. The Small Scale Industries Development Corporation – closed; the State Irrigation Development

Corporation – restructured; the State Textile Development Corporation – closed.

The list went on. By the end of it, 43 state-run enterprises had bitten the dust, either closed, restructured or sold off to the private sector.

The benefit to Andhra Pradesh is impossible to tally – but the cost to the workers in the state enterprises affected by DFID's consultants Adam Smith was immense.

According to trade unions, the process cost around 45,000 workers their jobs. Around 22,000 had taken voluntary redundancy, which means that around 23,000 were sacked.

Quite apart from the human cost, there are serious issues concerning what the proxy of a foreign government – in this case, the UK's – was doing at the heart of a democratically elected state, leading the way in the sacking of tens of thousands of Indian workers.

It is a matter that troubles many in India. 'There are many larger questions here,' says Professor Narasimha Reddy of the University of Hyderabad. '[One] is whether a democratically elected government should put up with this… [with] the result that its legislature becomes more like a rubber stamp.'[53]

In a paper on privatisation in Andhra Pradesh, Prof Ghosh of JNU quotes former state government principal secretary, VK Srinivasan: 'This is privatisation of governmental decision-making with staff neither being responsible for the results nor accountable to the government or the legislature.'

Effect of reforms on agriculture

Beyond issues of democratic governance, the Implementation Secretariat's savaging of the public sector seriously damaged some aspects of the agricultural sector. This helped frame the conditions of an agrarian crisis in which thousands of farmers became so desperate that they took their own lives.

Several state-run corporations, such as the AP Small Scale Industries Development Corporation (DC), the State Agro DC, the AP Meat DC and the AP State Irrigation DC, that had provided valuable support to the small-scale farmer were all closed.

The State Agro DC manufactured and distributed agricultural machinery and tools to farmers at subsidised rates. It also gave them technical assistance and helped distribute agricultural inputs. With its closure, these functions were taken up by the private sector.

'Private sector' is by no means always shorthand for 'bad'. But in the case of Andhra Pradesh's agricultural sector many believe the collapse of various state enterprises led to the growth of a particular kind of entrepreneur who did not usually have the interests of farmers at heart.

In these instances, such an entrepreneur would not only be the salesman of a particular type of seed, but also of a brand of fertiliser and a brand of pesticide. And it would be this middleman who could also provide the usurious loan to buy all his products.

According to a recent study of farmer suicides in Andhra Pradesh and the neighbouring state of Karnataka: 'Existence of middlemen has become a phenomenon. Nothing can move without their indulgence. The [families of suicide victims] felt that the clout of middlemen has increased tremendously in the past decade, that their octopus hold is increasing in a range of activities like the sale of inputs, money lending and trading in agricultural commodities.'[54]

Perhaps most significant was the restructuring of the AP State Seeds DC (APSSDC). This was restructured so severely that early in 2005 the current government declared its intention to revive it

Heading off drought

One of the fundamental problems facing farmers in Andhra Pradesh is a lack of water, and some critics assert that the drought affecting many areas of the state is the main cause of the recent crisis of farmer suicides.

While difficulty in accessing water has contributed to farmers' problems, it is hard to accept that drought is the overriding reason for these deaths. Droughts have occurred throughout Indian history without the accompanying waves of suicides.

This is largely because farmers have evolved sustainable farming practices which have allowed them to cope with water shortages.

What is different about the present crisis is that it comes at a time when farmers have been increasingly moving away from traditional farming methods to experiment with the new techniques foisted on them by the 'modernising' forces of liberalisation.

Due to their resilience, these traditional farmers have rarely had to deal with total crop failure. Their 'secret' is simple: grow a variety of traditional crops, such as sorghum, chickpeas, lentils, linseed, mustard, hibiscus, millet, redgram, cowpeas and tomatoes, on a single plot of land. Farmers often plant up to 30 crops on just a couple of acres of soil.

But many farmers are pressured by the state and the 'middlemen' who sell seed, fertiliser and pesticide to concentrate on single cash crops like chilli and cotton. These not only need far more inputs than traditional crops and are therefore more expensive to maintain, but are also far thirstier, requiring considerably more water.

The Deccan Development Society (DDS) works with more than 5,000 women farmers in the Medak region of Andhra Pradesh to help them achieve food security with traditional farming methods. Most of the women are dalits – formerly known as 'untouchables', the poorest of the poor castes.

These women farmers save seeds, use manure instead of chemical fertiliser and never use pesticides. And significantly, in view of the prevailing drought-like conditions, they require only rain water which is kept in large surface tanks. Expensive bore wells and irrigation systems are simply not required.

'In 2002 when the entire [region] was reeling under the drought and the hi-tech state… was importing up to 500,000 tonnes of rice every month to tide over the crisis, these women declared they had enough grain stored in their community grain banks and did not need outside support,' says DDS director PV Satheesh.

Professor Jayati Ghosh is one of many academics[55] who believe there are external reasons for the drought which can be traced back to liberalising policies pursued in Andhra Pradesh and at central Indian government level.

‘The crisis in water and irrigation sources can also be traced to these cultivation patterns… resulting from absence of public regulation or… advice, as well as the shift to more water-using crops, has caused water tables to fall across the state,’ she wrote recently.

‘Declining public investment, inadequate maintenance and the regionally uneven pattern of spending have all made surface water access problematic.’[56]

Certainly the women farmers working with the DDS have avoided the debt trap that has led so many others to take their own lives. According to PV Satheesh, up until early 2005 there was not a single suicide among farmers in the Medak area where traditional techniques are practised.

‘To a very large extent this is the outcome of their farming system which depends very little on external inputs,’ he said. ‘Working within such an extremely [low- or no-input] system, farmers have not been compelled to commit suicide [in] desperation under the burden of debt.’

from its ‘dormant’ state.

When it was allowed to function properly, the seed corporation served as a vital regulatory mechanism for the whole seed market. It produced its own seed and sold it via reputable private dealers. Farmers buying seed in this way were not subject to any pressure from the sellers to buy one type of seed over another; seed was a resource rather than a source of profit. Quality and price was assured.

Furthermore, the APSSDC had a statutory duty to ensure that all regions of the state – however remote – and all groups of people within the state were supplied.

The seed corporation also played a vital role in rice provision. In the past, the private sector has been reluctant to get involved because farmers traditionally saved rice seed from one year to the next. But those farmers who had not saved their rice seed or required new or more seed still needed somewhere to purchase stocks.

Until it was restructured, the APSSDC fulfilled this role so well that the Indian Council of Agricultural Research was able to say in 2000: ‘The APSSDC is recognised as one of the better-managed state seed enterprises in the country and it has done an effective job of supplying seed.’[57]

In March 2003 the IS’s order to close down 14 out of the APSSDC’s 24 seed-processing units was met by angry protests from farmers.

In its report, *The Hindu* newspaper said: ‘The APSSDC produces quality seed through its units in different parts of the state by organising seed production and supplying the same to farmers for improving the production of different crops. The role of the APSSDC is vital in the farming sector as unlike private seed producers it produces seeds of groundnut, pulses and other coarse cereals… Moreover, during the current drought conditions the state is experiencing, the APSSDC through its 24 units takes up the responsibility of seed distribution to farmers.’

The presence of state-regulated seed also helped maintain the quality of privately supplied seed; as long as the state was bound by certain standards, the private sector was obliged to match them.

However, as the state withdrew and the private sector moved in wholesale, there was no longer a quality benchmark to compete with. As a result of this and some formal changes in the regulatory framework, the quality of seed plummeted. Many seed packets sold today promise a germination rate of only 65 per cent.

'Seed cost has increased by three or four times and... supply of spurious and substandard seed has enormously increased during the last seven to eight years,' says Malla Reddy, general secretary of Andhra Pradesh's farmers union. This causes considerable loss to farmers. Government machinery controlling seed quality has, he says, become 'ineffective' and 'a mere spectator'.

When farmers cannot rely on the quality or price of seeds, it is bound to increase their vulnerability to other factors like drought or market fluctuations. It therefore increases the likelihood that, in extreme circumstances, some farmers would seek to escape crushing debt through suicide.

According to Professor Ghosh, public sector units like AP Agro and AP Seeds were extremely useful because they helped control the quality and price of inputs available to farmers – even from private sources.

'Eliminating these can have very negative effects on a cultivating community which is increasingly exposed to various forms of hard-sell by multinational companies and sale of spurious seeds and other inputs by private agents,' she said.[58]


Christian Aid/Richard Smith

Anji Reddy, farmer first in sugar cane, then cotton
Committed suicide: 7 December 2004

Narasa Reddy, a pea farmer
Committed suicide: 20 March 2004

When brothers Anji and Narasa Reddy saw their crops yielding insufficient money to repay their growing debts, they moved into cotton. But expensive inputs meant that debts continued to rise. On March 20 last year, 38 year-old Narasa swallowed a bottle of pesticide. Nine months later, Anji, 35, in despair at the death of his elder brother and faced with his own mounting debts, hanged himself. The farmers' parents, Ram, 76, and Mangamma, 66, (above) now have to rely on their daughters-in-law for income as they now have no sons.

Mallareddey Pelly village, Medak district, Andhra Pradesh

Conclusion

There can be little doubt that the scale of suicides in Andhra Pradesh and across India points to a major crisis. The number of farmers taking their own lives in Andhra Pradesh is shocking and indicates that something has gone terribly wrong with the agricultural sector.

These are not deaths from just one area or from just one type of farming. This is suicide on a scale that is surely unique in modern times.

The immediate cause of these deaths is debt. This debt was brought on by a number of factors, all of which, except for the weather, can be ascribed to liberalisation. These liberalising factors at both national and state level, were the results of policies made by India's central government, the Andhra Pradesh state government of Chandrababu Naidu, the IMF, the World Bank and DFID.

As Professor Ghosh surmises: 'The crisis of suicides [is] very clearly a result of public policy. And this has been guided by and substantially determined by agencies like DFID. They bring in an attitude towards privatisation as well as specific policies.

'There is a general attitude towards [privatisation] and specific interventions that have contributed very substantially to removing public protection from farmers. And without public protection no farmers anywhere in the world can survive, and that's what has happened here.

'What's interesting is how all this is done in the name of the poor of India and [in] the guise of aid. The British government are making a very big deal out of the inequalities in India. But here was a [UK] government that was all touchy feely about the poor and increased aid budgets but they were really promoting policies that systematically undermined that position.'[59]

The scale of deaths is a terrible indictment on all those who have been concerned with directing Andhra Pradesh's agricultural reforms, as well as the international institutions that helped create this crisis.

What makes it worse is that the suicide phenomenon – and the reasons for it – have been known about for years.

In 1998, a Citizens Report examined deaths in the cotton fields of Andhra Pradesh's Warangal district, stating that 'crop failure and debt burden' were the primary reasons for suicide.

And while it acknowledged that drought and pests were aggravating factors in bringing about this debt, it concluded that the expansion of commercial crops like cotton and chilli, fluctuations in crop yields, and exploitative input and output-linked markets 'have highly destabilised the small farming economy culminating in large scale suicides'.

Six years and thousands of deaths later in 2004, another Indian study – 'Farmers Suicides in Andhra Pradesh and Karnataka' – also concluded that debt was the underlying cause of the suicides.

'The central issue of farmers' suicides is the debt trap… this debt trap is tightening because of the drastic shifts in the cropping pattern that is market driven. Government policies like the removal of Quantitative Restrictions under the [WTO] have created havoc and exposed the farmers to the volatility of international market prices.'

How many more studies and how many more years will it take for the world to wake up to the fact that wholesale liberalisation of agriculture and the privatisation of the support mechanisms that sustain it are killing farmers?

Christian Aid made extensive efforts to get a comment from DFID on its policies on Andhra Pradesh.

As we were going to press a DFID spokesman said the department was unable to comment because of the constraints under which the government operates during a general election.