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## Infrastructure

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# India cancels World Bank loan, continues Narmada dam construction

by Ramtanu Maitra

On March 30, the Indian government announced its decision to cancel the \$170 million balance of the World Bank loan for the Sardar Sarovar dam project. India has been under severe pressure from the bank to fully implement certain resettlement and rehabilitation aspects of the project, as highlighted by the World Bank-initiated independent Morse Commission report in 1992, within a specified period. A bank review team was due to land in New Delhi in April, and the prospect that the bank would suspend the loan on the grounds of India's tardiness in meeting bank dictates was a live one.

India's decision to forgo the rest of the World Bank's \$530 million project loan and complete the dam project on its own may have merit. But it is also clear that the suspension of the loan by the World Bank during the upcoming review would have embarrassed both India and the bank. The undischursed balance has, in effect, become ransom for international environmentalists and non-governmental organizations (NGOs) which fought to make a test case of the Sardar Sarovar Project. Their first tactical victory, a kind of "sting" operation launched by former World Bank President Barber Conable, came with the constitution of the "independent" commission under Bradford Morse to second-guess both the bank and Indian government on environmental and "human rights" impacts of the massive project. The ensuing bank policy paper, besides demanding comprehensive resettlement plans for those who would be displaced by the dam, had asked the Indian government to provide "improved institutional arrangements over the management of the resettlement and rehabilitation programs, particularly providing a role for the local NGOs."

Though local environmentalists are claiming a victory, it may be pyrrhic. India's decision to discontinue World Bank involvement has suddenly removed the project from the international arena where it had become a rallying point for anti-development activists. At a press conference held on March 30, after the Indians had asked for the loan cancellation, the bank's director in charge of India, Joseph Heinz Vergin, said that at no point did New Delhi ask for extension of time to meet the benchmark requirements and that the bank is "satisfied that the government of India is moving on all fronts that have been identified" in the bank's policy paper.

### Massive power and irrigation project

The Sardar Sarovar Project, which is a major part of the Narmada River Valley Development Program, the largest river valley development program in the world, provides for a dam 1,210 meters long and 139 meters high, with a peak power-generating capacity of 1,200 MW in River Bed powerhouse and 250 MW in Canal Head powerhouse. The 460 km canal system would, when completed, irrigate 1.8 million hectares in the state of Gujarat and another 75,000 hectares of desert land in Rajasthan. The main canal has 31 branches, and many, such as Miyagam, Vadodara, Saurashtra, and Kutch, are bigger than the main canals of most irrigation systems in the world. These branches serve another 40,000 km of canal network and will handle 40,000 cubic feet per second of water. The Rs 90 billion (\$3 billion) project, whose cost may escalate to Rs 110 billion, is nominally dependent on World Bank and Japanese loans. Together, the loans amount to \$700 million, of which the bank has already disbursed \$360 million, and Japan has assured, as recently as November 1992, that it would disburse its share this year via the Organization of Economic Cooperation Fund, the channel for routing Japan's bilateral assistance to India.

A central feature of the project is that it breaks with the traditional planning of water development projects in India. As a former member of the Planning Commission, agronomist Dr. Y.K. Alagh, pointed out, the project envisages intensive use of modern technology to support densely populated Asiatic peasant-based agriculture. Thus, for the first time in India, computer-controlled canal and distributory systems up to the village level, real-time monitoring of surface and groundwater regimes for aquifer conjunctive use systems, and information systems based on acreage response and agriculture costs, yields, and benefits data from the behavior of peasant households, have been used to design the engineering capacities and work out the economic choices. Second, considerable expertise was used to subdivide the command area into 13 regions and work out irrigation plans and environmental and sustainability strategies at a high level of disaggregation. Third, considerable emphasis was laid on a realistic estimation of project costs and benefits. The project was identified by components up to the field level and costs

and benefits were estimated on the basis of the actual achievements of Gujarat farmers.

No wonder that even the World Bank, according to Alagh, declared that the project represents a break with the past approaches to planning, design and construction, and operation of irrigation projects in India. The bank had also said earlier that "within a period of three years, an impressive array of high-quality studies and designs have resulted, including a comprehensive framework plan by the Narmada Planning Group and production by the Irrigation Department of high-quality designs, specifications and procurement documents."

### **Green light to environmentalists**

The sting operation, a parting shot by Barber Conable, was launched on Sept. 1, 1991, when the World Bank set up an independent review of the Sardar Sarovar Project, under Conable's buddy, former U.S. Rep. Bradford Morse. The review, the first of its kind among the thousands of projects funded by the World Bank, was completed on June 18, 1992 and was made public at a press conference in Washington. Its recommendations were couched in vague phrases, such as that the World Bank should "take a step back" and that "it would be prudent if the necessary studies were done and the data made available for informed decisionmaking before further construction takes place." Incredibly, there was no mention of any positive aspects of this unprecedented project, which had earlier been hailed by bank engineers.

On Oct. 23, 1992, the executive board of the bank had an unusual seven-hour meeting to determine whether to continue funding in light of the Morse Commission report. Although the board, on a split vote, supported continued funding, it also stipulated that the Indian government would be given six months to implement an "action plan" and an agreed set of benchmarks to remove "deficiencies" in the project. The bank mandarins decided that a review team would visit India in April to assess the progress in implementing the "action plan," and the bank would then decide whether to back the project or abandon it.

The decision to set up the review in itself was a signal to the environmentalists that the bank pays more attention to the greenies than to the Indians. This became evident following the publication of the report.

On June 18, the same day the report was made public, the well-heeled Environmental Defense Fund, in conjunction with Asia Watch and the International Rivers Network, held a press conference, where EDF lawyer Lorie Udall, a prominent spokesman for the greenies against Sardar Sarovar, called for the complete withdrawal of the bank from the project and predicted that it would never be completed. Incidentally, Udall's good friend Medha Patkar, leader of the Save Narmada Movement (Narmada Bachao Andolan), is in the forefront of instigating those who would be forced to move by the dam not to leave their homes. Subsequently, the NGOs and environmentalist groups sent a letter to World

Bank President Lewis Preston, who showed little enthusiasm for withdrawing support from the project, accusing the bank of failing to address major environmental, social, and technical problems with Sardar Sarovar, complaining of human rights violations in the Narmada River Valley, and charging the bank with poor resettlement and overall performance in other large-scale irrigation projects in India. They, like Udall, also predicted that Sardar Sarovar could not be constructed according to bank standards, policies, and agreements. The letter's signatories included the EDF, International Program of the National Wildlife Federation, International Program of Friends of the Earth, International Water Project of the National Audubon Society, International Program of the Sierra Club, International Rivers Network, Center for International Law, Development Group for Alternative Policies, and Rainforest Action Network.

With the cancellation of the undisbursed loan, the greenies in India have claimed victory. Medha Patkar, the queen bee of all anti-Narmada development groupings, has announced that the suspension of funds is the "first step" taken by the bank "in the interest of the nation—the project should now be reviewed." Smitu Kothari of Lokayan, who was given a foreign junket by International Rivers Network, has noted that the government's decision would "sharpen the struggle."

### **Cutting out the middle man**

Although there is little doubt that the NGOs would have seized upon the government's decision to force yet another review of the project, a consensus has developed among officials involved with the Sardar Sarovar Project to go it alone. The officials have pointed out that the political and economic cost to India of allowing the highly publicized debate to continue indefinitely would be far greater than the remaining \$170 million of the World Bank money. The officials were particularly upset that, because of a paltry amount of foreign exchange, the whole project had been opened for continual evaluation and a mountain of useless paperwork. However, some officials also feel that discontinuation of World Bank assistance could be construed as an indictment of the validity of the project. Keeping these two viewpoints in mind, perhaps, the Indian government took the decision to cancel the loan balance.

Meanwhile, the project work is moving steadily ahead. According to former chairman and managing director of Sardar Sarovar Narmada, Ltd., Dr. C.C. Patel, more than 40% of the pouring of concrete on the 139-meter-high dam has been completed. Tunnel work for the 1,200 MW powerhouse is completed and transmission lines are laid. As for the canal system, work is going on simultaneously on a vast terrain, and more than 80% of earthwork and almost 50% of lining work for the main canal system has been completed. Main canal work is expected to be completed by 1994 and about 200,000 hectares of unirrigated land will be brought under canal irrigation by July 1995.