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Finance & Economy

Open letter to IMF, World Bank and UNDP

Privatization

by Amrit Muttukumaru

The economic future and hence the social stability and survival of more than three quarter's of the world's population has largely been made dependent on the social responsibility and competence of the private sector. Hence, is it not wholly justified that the private sector must continuously be under scrutiny to determine its suitability for this role with a view to taking corrective action wherever necessary?

This is due to the 'Washington Consensus' comprising of trade liberalization, deregulation of the economy particularly the financial sector and privatization being forced on aid-dependent countries by the World Bank, IMF and UNDP presumably at the behest of the US Treasury. After all, almost everything, inclusive of critical public utilities which includes the very essence of life-water is slated for privatization.

In spite of the stark evidence of the utter irresponsibility and incompetence of a large section of the private sector, the proponents of what can be described as mindless and unbridled privatization are hell-bent on this dangerous course of action. Let alone the private sector's largely demonstrable poor showing and unacceptable conduct in developing countries, their role in the 'developed' world itself as manifest in the shocking scandals in Enron, WorldCom and others indicates that there is a strong case to first build capacity in the private sector and radically restructure the regulatory mechanism under which it will operate without stifling entrepreneurial initiative.

Standard Practice

Isn't it standard practice in business or any endeavour for that matter to carry out even a rudimentary feasibility exercise to determine the viability of a project or activity? Hence, isn't it logical that the proponents of privatization particularly multilateral agencies such as the IMF, World Bank and UNDP should have carried out a transparent exercise to determine the suitability of the private sector to shoulder the responsibility of privatization? This from all evidence they have failed to undertake. Certainly in my country Sri Lanka, this has not been undertaken.

Why have they reneged in this moral and business obligation? For the most part, the track record of the impact of aid in developing countries over the years has been negative and in many instances even disastrous. It has in general largely contributed to economic, social and political tensions as well as environmental denudation. The rich have got richer and the gap between the affluent minority and the poor majority has become wider.

Initially, aid was packaged under 'poverty alleviation' which has now metamorphosed into 'poverty reduction'! There are of course singular exceptions to this which does no credit to the aid agencies since for the most part these exceptions have virtually ignored the multilateral agencies. In any event, it is left to be seen whether even this is sustained in the long term.

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Sri Lanka

Sri Lanka is on the threshold of receiving a package of unprecedented concessionary aid from both multilateral and bilateral sources on the back of the fledgling peace process largely benefiting the private sector. Our private sector is clearly not ready for this task at present. A major reason for this state of affairs at least in Sri Lanka's case, is its appalling state of governance with the glaring absence of accountability in respect of large sections of both the public and private sectors in the context of an unassertive civil society.

In spite of ample evidence staring in its face, the bilateral and multilateral agencies are carrying on regardless in spite of its potential to also threaten the negotiated settlement of Sri Lanka's intractable ethnic conflict. There is no question that my country is in desperate need of economic assistance particularly for the war ravaged north and east of the country. There is equally no question that there is an urgent need for a transparent mechanism to ensure accountability. This is sorely absent at present.

Proposal

It is proposed that multilateral agencies such as the IMF, World Bank and UNDP together forge an open and transparent mechanism to determine the suitability of the private sector to shoulder the responsibility and implications of privatization with a view to taking corrective action wherever necessary. This can be ascertained through a mix of transparent activities which could include research from available data vis-a-vis major private sector projects and privatizations in terms of their quantified economic and social benefits where the results are presented for discussion through a series of TV programmes appropriately structured with third party moderation to give the private sector an opportunity to reply.

Deficiencies identified should be addressed as a priority. This should be periodic standard practice in all countries being forced to privatize. Until at least the private sector is prepared and worthy for the same, isn't it prudent to build capacity in the public sector at least for the more sensitive infrastructure?

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