

Government, a lucrative business



VIVEK KULKARNI

A government the size of Karnataka should yield Rs 3,000 crore a year, through kickbacks. The cost of purchasing legislators being about the same, the payback is swift and fabulous. No wonder, politicians are lethal businessmen.

Karnataka. Many European countries, such as Greece, are better at it in other sectors.

TRANSFER GAMES

Transfer of officials is a big business. Some, like teachers, are a low-margin-high-volume game. Over a third of three lakh teachers can be transferred every year, but cannot fetch more than Rs 10,000 each. Just a few forest officials in the Bellary mining area can yield a crore. PWD engineers and commercial tax officials are all-time favourites and can also fetch sums in crores.

A lowly, yet very powerful official in the government, is the accounts superintendent, who writes government cheques and earns just Rs 15,000 a month, but whose transfer is usually worth a crore. Many of them manage recommendations from five to eight MLAs at the time of transfer.

Food for the poor is money for politicians. Even though the Planning Commission claims that just 30 per cent of the population is below the poverty line, many States show more than 100 per cent. More cards mean more ration money that can be swindled. Ration-shops are doled out to village level political functionaries. I am not sure if the UID programme will make any dent in these practices.

The problem with our poverty schemes is not technology, nor the problem of identifying the poor, but the lack of political will to tackle corruption. The Right to Food programme will mean more money available for illegal distribution.

Conservative estimates show that, if all possibilities are implemented, a State government the size of Karnataka should yield Rs 3,000 crore per year. Compared to the investment, the payback is just above one year. Considering five-year cash flows, and one mid-term destabilisation costing Rs 1,000 crore, the IRR works out to 175 per cent. Politicians have become lethal businessmen.

(The author is a former IT Secretary, Government of Karnataka, and Founder Managing Director, Brickwork Ratings. bfedback@thehindu.co.in)

The recent events in Karnataka showed how easy it is to take over or destabilise a government. MLAs are available for sale for Rs 25 crore each. They are ever willing to travel with you anywhere, as long it is a five-star resort. Have they visited their constituency lately?

Having seen the government as an IAS officer and worked on three State budgets quite closely, I have worked out how profitable the Government can be for any investor.

While the Tata-Corus deal was over Rs 36,000 crore, they could have acquired the Government of Karnataka for just Rs 2,825 crore by buying 113 MLAs. Another Rs 1,000 crore might have had to be doled out to mid-term dissidents and other contingency expenses. For such investment, the returns from bribes are fabulous. Even Warren Buffet cannot match it.

How do politicians make money? Most States usually spend substantial portion of their budgets on irrigation, power and roads. Table 1 summarises the budget for major departments in Karnataka. They release crores to the district and village level panchayats for schemes such as the National Rural Employment Guarantee Scheme (NREGS). Finally, the real goldmine is the slew of government positions that are almost auctioned in a transfer game.

Table 2 summarises the sitting ducks that can be targeted for transfer. How else can you explain the fact that the Chief Minister of Karnataka retains most of the transfer powers, instead of delegating them to the respective heads of department?

IRRIGATION AND POWER

Consider irrigation projects. On the one hand, politicians get all the accolades for rural development. They also get to collect 15-25 per cent on

Table 1
Budget bribes!

Department	Budget (Rs Crore)
Irrigation	5148
Education	4413
Agriculture	4253
Energy	3427
Roads	3169
Social Welfare	3037
Backward Classes	2663
Public Health	2503
Urban Development	1838
Rural Development	1665
Others	23563
TOTAL	55680



Table 2
Transfer price?

Department	No. of Employees
Education	329375
Police	95806
Public Health	25938
Organs of State	23768
Public Works	16344
District Administration	14347
Agriculture	13420
Forestry	12504
Land Revenue	11133
Commercial Tax	7577
Others	59151
TOTAL	609363

all capital works. Most contractors are happy to shell out speed money. Most of these projects usually do not attract any undue press coverage, like the Commonwealth Games did.

Roads are yet another treasure-chest. The smaller village roads can sometimes yield 90 per cent margins. Some village roads are not really built at all — rather, some red soil is spread around to close a few potholes, with the hope that the rains won't wash them away till inspection. If you really lay the road properly, the material cost goes up. Politicians are lucky that NGOs and self-styled activists at the Central level prescribe almost zero material costs and a higher proportion of labour.

Power sector subsidies often equal the State's fiscal deficits. The subsidies are actually meant for poor farmers, who seldom get electricity for more than six hours a day. But power theft by politicians' favourites is often included in the farm sector's T&D losses.

Next, the purchase of substandard transformers and replacing them is a money spinner. The vendors often

co-operate to show false replacement. Transformer replacement in Karnataka is remarkably high. Most power purchase files often go up all the way to the Minister, even though the Department has several talented officers.

LAND DEALS

Politicians love land. The Bangalore Development Authority has notified land acquisitions for thousands of acres over the last two decades. It could have paid the market price and taken possession. However, it did not have the money and has abandoned all those projects.

The area is now well-developed and worth crores. The land-owners cannot sell it without de-notification.

When the government found that some were selling, they came out with the Karnataka Land Transfer Restriction Act, 1991, to declare such sales a criminal offence. No wonder that, for the last many years, while all the cities in the State have been with one minister, Bangalore always stays with the Chief Minister.

Construction permits and land

registration are yet another big source of money. About 12 million sq ft of new concrete is built in Bangalore alone, every year. Karnataka has over 18 cities where real estate is booming.

While the stamp duty and registration charges could be 7.5 per cent, the bribes can be at least 1 per cent. The Government collects over Rs 3,500 crore in official revenues. This implies that bribes could be close to Rs 500 crore.

Politicians often use the local language excuse and stipulate the vernacular medium of instruction for all new schools. At the same time, they allow the managements to run English medium schools, which most parents demand. The threat of disqualification after inspections means endless money every year from private school managements.

The Gandhian philosophy on prohibition comes in handy to ban new bar licences. Those who want licences can only get it from the old licencees at a huge premium. Of course, they must share a bit with the Excise Department.

This technique is not unique to