Odisha at Crossroads: Emerging Aspirations and Contestations

Amita Shah²

National Seminar on Odisha at Crossroads: Emerging Aspirations and Contestations
Gujarat Institute of Development Research (GIDR)
Xavier Institute of Management - Bhubaneswar (XIMB)
24 April 2011

The context

The last decade or so has been marked by an interesting paradox in Odisha's economy. The growth of GSDP (gross state domestic product) has surpassed the average rate of economic growth in the national economy. GDP growth ('dynamism' as many would call it) in Odisha has generated a fresh flux of optimism and hope, at least among a section of the society. Yet, at the same time, Odisha has remained at the top in terms of unemployment and food-insecurity, and there is a sense of huge despair among the larger set of common people in Odisha.

Whereas the recent upswing in the economy is triggered mainly by the investments flowing into the mining and industrial sectors, especially by the multinational corporations, the economic 'dynamism' is also manifested in a number of recent developments, such as increasing urbanisation and associated buoyancy in the real estate markets, proliferation of specialised private institutions of higher education, and the emerging culture of consumerism penetrating through large and expanding service sector in the state's economy (Government of Orissa, 2010). All these seem to have injected a sense of optimism and euphoria among a segment of society, especially because the growth momentum has come after a fairly long spell of economic strangulation, coupled with fairly high incidence of chronic poverty and hopelessness.

¹ This is a selected recapitulation of the discussion that took place during a National Seminar on *Odisha at Crossroads: Emerging Aspirations and Contestations*, organised jointly by Gujarat Institute of Development Research (GIDR) and Xavier Institute of Management - Bhubaneswar (XIMB) on 24 April 2011 at XIMB with the cooperation of the *Samadrusti* fortnightly. The seminar was supported by the Chronic Poverty Research Centre (CPRC) to which GIDR was one of the partner organisations in India (www.cprc.ac.in). This was also an event to pay tribute to Dr Sakti Padhi, an eminent scholar and a contributor to the CPRC-research in India, who passed away in March 2010. The authors acknowledge useful insights and comments from the participants.

² Amita Shah (amitagidr@gmail.com) is the Director of Gujarat Institute of Development Research, Ahmedabad. Banikanta Mishra (banikanta@hotmail.com) teaches finance at Xavier Institute of Management, Bhubaneswar. Sudhir Pattnaik (sudhir.pattnaik@gmail.com) is the Editor of *Samadrusti*, a vernacular fortnightly of Odisha. Opinions expressed by Dr. Mishra are personal and do not necessarily reflect the views of the organizations he is associated with.

On the other side, the dynamism seems to have intensified concerns over the state's development. Namely, issues that pertain to the rapid extraction of natural resources, sectoral imbalance, and regional as well as social disparity among a larger section of the society including the poor, who hold the very processes of growth and surplus accumulation as the main cause behind the perpetual poverty and growing inequity; the recent upsurge of economic growth may have only accentuated the problem (Mishra, 2010). The latter is increasingly echoed through different forms of resistance, organised protests, and 'alternative' print media. Economic dynamism together with growing anxiety and resistance point to a big churning that may eventually form new class-identities that consist of the present gainers and losers of the often extractive and spatially or sectorally imbalanced development in an already unequal society.

The growing disconnect between faster economic growth and prosperity has been well recognised by some quarters in policy-making. This was stated at the outset by Shri Jugal Kishore Mohapatra, Odisha's Principal Secretary of Finance. Recapitulating the development discourse during the initial phase of planning in India, Mohapatra pointed out that, it was earlier thought that once growth picks up the problems of poverty will be resolved, thought that did not seem to happen, as the recent growth has excluded many poor people. The state, however, now has access to better financial resources for investing in pro-poor growth, but it requires identifying the sectors where the poor are located. Hence, agriculture and the Mahatama Gandhi National Rural Employment Guarantee Act (MGNREGA) are important, and so are labour intensive industries. Shri Ranvir Singh, Special Secretary of Odisha's Planning and Coordination Department, highlighted the improved performance of the state's economy and said that poverty is most likely to have reduced across the different regions in the state, although the recent results from the 2007-08 data are still tentative. He pointed out that the latest Socio-Economic Survey prepared by the Government of Odisha has also stressed on the importance of agricultural growth and on addressing poverty among tribal communities.

The state, thus appears to be at crossroads, where moving further onto neo-liberal policies may, at best, bring mixed fortunes in terms of expanding economic opportunity and modernity. Failing this, however, it may lead to further marginalisation, almost complete destruction of natural resources and poor's livelihood, and serious erosion of the democratic space for the deprived and the marginalised. What is, in fact, feared by a large section of the fairly agile civil-society and other socially concerned groups, including some academicians, is that the present dynamism within the economy may ring the death-bell for the poor and the vulnerable segments of the society, who have been bypassed by the processes of development over the decades of planned development in the country.

The 'dilemma' facing a large number of concerned citizens is whether to accept the development coming through the process of neo-liberalism at this 'historical' moment of

economic buoyancy, perhaps with a hope that a part of the surplus could be shared with the poor and the marginalised, or to reject such 'interventions' that come through the processes of neo-liberal policies through, of course, selective, yet sustained, processes of protests and mass movements. In a way, this is not a new dilemma; several of the 'developing economies' around the world, mostly those who experienced colonisation earlier, have faced or are currently facing this at all levels within their territorial boundaries. Though there are many examples, they are often confusing and unclear. Thus, it may not be proper or adequate to consider one such example as above all others and learn exclusively from it. In any case, the dilemma has to be understood, defined, negotiated, and fought within the specific contexts of the democratic traditions, life, and livelihood options available to a local community offering resistance, ecological situations of the region, access to natural resources, nature of relationship of the state and the citizens with those resources, cultural ethos, and nature of federal polity in operation.

The national policies, especially since the XI Plan period, have been accompanied by a number of positive initiatives such as a renewed thrust on streamlining of the land-records, the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006, development of irrigation (and, thereby, agriculture) sector, food for work and MGNREGA, and fiscal reforms under the XIII Finance Commission with explicit recognition of payment for environmental services and developmental deficits resulting due to forest conservation. Though these are steps in the right direction, these policies may take much longer to pick up the momentum; meanwhile, the processes of marginalisation noted above may already make significant inroads and create stronger vested interests among the newly emerging urban-literate-elite whose aspirations may find stronger hold in the local polity within the state.

It is, therefore, imperative that these new realities are clearly identified and understood to be able to create a new, better informed, and more nuanced discourse on the emerging aspirations and challenges of development and policy formulations in the contemporary context of Odisha. Drawing a parallel with Bihar, another 'rising' state in the region, may help understand the new churning in a somewhat broader regional and national perspective. It is necessary to deliberate on a number of issues that help understand the dilemma and possibly explore a new pathway for a sustainable, equitable, and sectorally-balanced development that could directly address the issue of chronic poverty faced by a large proportion of people in the state.

The specific issues to be addressed are: a) recent developments in the economy and the policy paradigm, fiscal resources, and poverty scenarios, b) sectoral dimensions of the opportunities and challenges at the present juncture of the state's economy, c) new policy spaces created through the rights-based approach (RBA) adopted at the central level of policy-making and the problems faced at the stage of implementation, d) emergence of new forms of protests and mass movements, and e) the possible way forward.

Odisha's high growth trajectory

The discourse on Odisha's economy, at least until the beginning of the new millennium, was mainly focused on the long-drawn stagnancy, unacceptably high rates of poverty, massive fiscal deficits combined with significant dependence on the central resources, absence of entitlement to forest resources among the tribal communities (Shah et al., 2009). To a large extent, the stagnation in the state's economy was attributed to the federal polity (Das, 1997) that had led to massive extraction of the state's rich mineral resources without adequate compensation, especially through the various mechanisms of resource transfers from the central pool to the lagging states such as Odisha (Sen et al., 2008).

The decade starting from the year 2001 has brought a turning point during where the state economy had moved at an average rate of 9 percent per annum; the sectoral growth rates being 3.59, 12.67 and 9.75 percent for agriculture, industry, and service sectors respectively (Government of Orissa's Economic Survey, 2009-10). In fact, the growth rate in the state's GDP during the decade was higher than the national average. What is also noteworthy is that the high rate of growth during the past decade was not sporadic or fluctuating in nature. Rather, it was an outcome of a structural break experienced during the initial phase of the past decade; for agriculture, the structural break was noted during the period 2000-01 to 2003-04 (Pattnaik and Shah, 2010:757). According to Panda (2011), the state's GDP had also experienced a structural break in the year 2003-04, with secondary and tertiary sectors having registered a growth rate of 12.67 and 9.75 percent in industry and service sectors respectively during 2001-2010. The economic buoyancy in the state was further accompanied by a number of positive developments, though much of these changes were not directly linked to the growth. Some of the changes include the following: fiscal reforms, improved physical infrastructure, employment boom in the high-end technical jobs, and formulation of centrally sponsored schemes for employment generation. The uptrend in the overall economy in the country may have also helped a large number of migrants from Odisha and their families back home, most of whom may have lived in poverty conditions until recently.

Arguably, all these have shifted the tone of the developmental discourse on Odisha. Now the central question being asked is whether the high rate of growth is environmentally sustainable, socially equitable, and, thus, politically tenable. It is here where a large body of academicians, activists, and civil-society-organisations are voicing their questions, resentment, and protests.

It seems that the experience of the past decade has led to further intensification of the divide and, thereby, contestation on the very nature of industrialisation where 'state failure' has given way to capitalist forces that on one hand may strengthen the state's kitty with higher tax revenue, but, at the same time, influence, and practically control a) critical policy discussions

regarding sectoral priorities, b) diversion of natural resources like land, water, forests, and above all, c) the compensatory mechanisms for those who lose out their livelihood because of the processes of extractive industrialisation. The close nexus between the state and capitalists may also open up flood-gates for corruption, dilution of institutional norms, and shrinkage of the democratic space for a large majority of the population that has either been left out or has faced further marginalisation in the wake of high economic growth.

It is however likely, as argued by Professor Tapas Sen from NIPFP, that these negative externalities may gradually soften or even get reversed if the growth momentum continues and if the state is willing to consolidate the positive developments that have simultaneously taken place during the period of high growth. Failing this would imply that the initial syndrome of 'federal polity' has deepened its roots, where the state's polity, irrespective of the federal scenarios, continues to defy development and justice for its own people.

Poverty reduction: creation of new poverty zones

The question that has raised significant debate in the wake of the recent upsurge in the state's economy is whether faster growth will also reduce poverty, how, and in what time frame. The estimates presented by Dr Manoj Panda, using the thin sample of NSSO for the year 2007-08, indicated that the poverty ratio may have reduced from 57.2 percent in 2004-05 to 48.8 percent during 2007-08 (see Table 1). These of course, are tentative estimates and to be used with caution.

Table 1: Poverty in Odisha (Based onTendulkar Committee Suggested Poverty Line)

Year	Reference	Odisha			All-India		
	Period	Rural	Urban	Total	Rural	Urban	Total
1993-94	MRP	63.0	34.5	59.1	50.1	30.8	45.3
2004-05	MRP	60.8	37.6	57.2	41.8	25.7	37.2
2007-08	MRP	53.8	16.4	48.8	33.0	18.2	29.1

Note: MRP (Mixed Reference Period); Source: Planning Commission, Government of India. Own estimates for 2007-08. Reproduced from Panda (2011).

What is, however, intriguing is the glaring inequality across regions and social groups. The estimates by Panda suggested that, between 1993-94 and 2004-05, the poverty-ratio had increased both in southern and in northern regions of the state; the increase was quite substantial in the case of the latter, where much of mining-based growth had taken place. This could be due to the initial negative externalities, which apparently started to taper off in 2007-08. According to the estimates by Panda (2011), poverty-rates have declined from 66 to 52 percent in the northern region, which is faster than that of the southern region.

Since the estimates for 2007-08 are tentative, it is not clear as to whether the incidence of poverty has declined in the recent past, especially in the northern region, and by how much. The insights from the activists and civil-society-organisations (as against academics) suggested that the decline in poverty, if at all, was fairly slow and certainly not in the northern region where extractive industries have taken root. In any case, it was argued that the recent spurt in growth has certainly created new zones of poverty within the larger boundaries of the regions. The debate at this juncture is, however, empirical in nature, thereby difficult to sort out until the estimates from the next round of consumption-expenditure data are available from the National Sample Survey Organisation. The poverty estimates, however, are not a substitute for a deeper engagement in terms of understanding the processes that reduce poverty or create NPZs (new poverty zones) in the state or do both. This may suggest the following: a) need for a micro-level enquiry which brings more nuanced understanding of how the growth-poverty interface has worked on the ground and b) special efforts by the state to generate disaggregated data. It is here that the issue of appropriate measurement assume critical significance, as rightly pointed out by Professor Prahlad Mishra of XIMB.

Fiscal reforms and poverty: promise for better equity?

Fiscal federalism and federal polity have been held as some of the most critical factors that have suppressed the growth potential in the state (Padhi, 2008; Das and Mishra, 2008). This historical injustice needs to be corrected through various measures of resources-transfer from the central to the lagging states such as Odisha. Professor Tapas Sen addressed some of these issues while briefly presenting the structure of federal finances and the role they play in mitigating the interstate inequality. Describing the different channels of resource transfers to the state, Sen underlined the fact that the case for the equity-function is not necessarily made on the basis of economic theory, but rather the mandate comes mainly from outside the realm of mainstream economics such as from constitutional obligations or judiciaries. While stressing that this indeed is an important mandate, Sen pointed out that intergovernmental transfers, including the provisions of the Finance Commission, may play only a marginal role in attaining the equity goal; instead, central-government expenditure and public-sector investment can play a significant role in this context — a point also raised by several experts in the field of public-finance.

Focusing on Odisha, Sen reiterated that the state still has significantly high dependence on the central-transfers for meeting the budgetary requirements. In 2010, about 54 percent of the state's financial resources came through the fiscal-transfers, especially through tax devolution. He also argued that despite facing severe financial crunch, the state has made significant progress towards fiscal reforms in the recent years (Sen et al., 2008). Nevertheless, huge gaps continue to persist in spite of the increase in tax-revenue from the state. Sen was of the view that improving the efficacy of the funds spent and enhancing the capacities for absorbing

additional funds under some of the flagship poverty-focused-schemes such as MGNREGA and PMSGY (Pradhan Mantri Gram Sadak Yojana), may help significantly in bridging the resource gap faced by the state.

Sen also focused on issues like low performance of the state with respect to MGNREGA and its preparedness (or lack of it) to rise to the occasion when availability of funds *per se* may not be the most critical constraint. The issue, therefore, is linked to issues of institutions and organisational-capacities. Professor Anand Kumar of JNU deliberated on the issues of the four major deficits that the country is facing at the moment. These include deficits of development, legitimacy, governance, and democracy. The perpetuation of these deficits for long has created yet another crisis, that of time-deficit. People are no longer willing to wait; there is a real sense of urgency, suggesting the need for continued mass-mobilisation and protest.

On a different note, Dr. Kajari Mishra of XIMB argued that the fight against poverty has, arguably, three crucial components: a) a good assessment of the extent, types, and geographical and demographic locations of incidence, b) a reasonable understanding of its nature and various manifestations such as income, asset, access, capability, and entitlement deprivations, c) a well-designed set of policies and organisational structures and capabilities to implement them effectively. She argued that, unfortunately, while the knowledge-building efforts to develop the first two have been sustained and substantially effective, the third aspect (policy design, design of implementation structures, and particularly, the development of capabilities for implementation, monitoring, evaluation, and review) has only been partially addressed. Success in addressing poverty or in empowering the local governments to plan for it has clearly been very limited, patchy, or unsustained.

Sectoral emphasis: pace versus composition

Given that the pattern of growth - past and present - are faulty and have brought far-reaching negative consequences for the poor and the marginalised, the question that needs to be addressed afresh is: what kind of growth is tenable? Of course, this is a larger question that cannot be addressed within the scope of any limited discussion. The idea, therefore, is to bring to the fore some of the important concerns relating to sectoral balance, the type of industrialisation, and livelihood support for forest-dependent tribals. Industry-cum-mining led growth is not only environmentally unsustainable, it also accentuates the conditions of immiserisation. Therefore, what is needed is a shift of the focus of the growth to agriculture, especially of the kind that is suitable for tribals in forest-based economies. Agriculture development should also keep in tune with the agro-ecological conditions, and hence should be more diversified and linked to forest ecology rather than water or irrigation and input intensity, a point already made by civil-society-organisations as well as several scholars (Shah, 2009; Mishra, 2010).

The quest for the appropriate model of industrialisation should also keep in mind the resource as well as skill base and should be less extractive and more employment-generating. While the case for a broad-based and decentralised industrial growth is already in vogue in policy discourse, what seems to be critically missing, as argued by Professor Keshab Das are: a) business approach for promoting traditional and non-traditional small and micro enterprises and b) state's support in terms of creating a conducive market-space for these enterprises to enter, compete, and flourish, as has been observed in the case of north-western China. This would imply going beyond the present approach of proving subsidies to these sectors and enterprises. It seems that the state government has started thinking in this direction by drawing lessons from industrially more developed states like Gujarat, where small and medium scale industries always had a fairly large presence. The need is to make a paradigm shift in terms of how sustainable agriculture, forest management, and broad-based industrialisation could grow in a mutually reinforcing manner.

The issue of environmental damages due to large scale mining and industrial projects was raised by environmental activist Prafulla Samantara, who highlighted the existing scenario, characterised by weak laws and their implementation. Drawing attention to the recent upsurge of the people's protests and resistance, he argued that local communities must be brought to the centre stage of decision-making and implementing processes when it comes to massive displacement of people and dislocation of their livelihood, besides the severe environmental damages. He pointed out that mining projects like the one in Niyamagiri create new poverty zones within the state and the country.

Tribal development and rights-based approach: some challenges

Ironically, the discourse on tribal development continues to remain largely peripheral in nature. This is reflected by the continued emphasis on development assistance and special subsidies for tribal development, without curing the very cause of their marginalisation and continued displacement in the wake of the rapid economic growth. The passage of the FRA in 2006, therefore, is a major departure where, for the first time, official policy has recognised the historical injustice faced by the tribal communities. Dwelling on this significant policy initiative, Ms Madhu Sarin, an expert on forest management and laws, presented a brief account of the major weaknesses and limitations of an otherwise powerful policy such as the FRA. She demonstrated how lack of appropriate land-records have created a major stumbling block and how the state has continued to hide behind this cumulative lapse, which is difficult to overcome. She mentioned that as large as 10 lakh hectares of forest land in the state is devoid of any forest and yet continues to be under the control of the forest department; there is hardly any mechanism in place that could map, trace the land use, and establish the user rights over large tracts of land in the state. In absence of these basic mechanisms, the FRA is likely to achieve

very little by way of passing on the rights to the tribal and other marginal communities living in the forest areas.

Similarly, the provisions for paying the net-present-value of forest under the Compensatory Afforestation Management and Planning Authority (CAMPA) and the recently introduced Forest Grants (under the 13th Finance Commission) may not be able to achieve much in terms of handing over the share of funds that rightfully belongs to the communities who have been managing and protecting the forests over the decades. This also brought back the issue of displacement that took place for the Hirakund Dam in Sambalpur District of the state, which, by and large, has defied all norms and promises of a reasonable resettlement and rehabilitation of the displaced communities even after a lag of about 60 years.

People's movements: local vis-a-vis broad-based and sustained

Reflecting on the urgency for continued and effective mass movements, Dr Birendra Nayak of Utkal University pointed out that the recent history of protests against neo-liberal polices and programmes have yielded a rather limited success. The more successful protests have been against projects promoted entirely or jointly by the Government. According to Nayak, the reasons behind limited success of the protests against the multinationals are: a) these protests were too localised rather than broad-based, b) they did not show much signs of sustained mobilisation, and c) the outcomes were deeply influenced by the dominant politics at the state level. Together, they indicate serious challenges for initiating and leading effective mass-movements that may be sustained over a long period of time.

Dr Nilakantha Panigrahi of Nabakrushna Choudhury Centre for Development Studies (NCDS), Bhubaneswar, drawing upon a collaborative study with Sakti Padhi, argued that tribal peoples' protest movements, however well-organised, have to take cognisance of the powerful interests of economic elite and industrial capital - both domestic and foreign - that wield considerable political power (Padhi and Panigrahi, 2011). Protest movements by the tribal people of Odisha in different pockets have attracted the attention of policy makers, bureaucrats, academics, media, and activists across the world. These movements have contributed to strengthen the sporadic articulations by tribal people to organise protests and have led to the recognition that there is need to review the approaches and strategies of development interventions of the state, as well as streamline development programmes.

The challenges for mass mobilisation and sustained movements are further accentuated in the fact that the media is no more behaving as an independent fourth factor of governance. The issue of its corporatisation, raised by Shri Sudhir Pattanaik of *Samdrusti* fortnigtly, is pertinent to the entire discourse on finding alternative paths.

Agenda for immediate actions

Summing up such rich, intense and diverse debate raging over a large number of interconnected issues is not easy. There is need for a continued dialogue among academics, civil society organisations, activist groups, and policy makers. Professor Aasha Kapur Mehta illustrated this point by highlighting how coordinated efforts by various groups have actually brought about the recently modified definition of poverty line, which, for long, had underestimated the poverty conditions over a long period of time. Echoing the optimism, Professor Amita Shah underlined the need for creating a platform for constructive dialogues that may hopefully help in addressing the twin issues: the emerging aspirations and contestations in the contemporary scenario in Odisha.

There is, however, a concern about an overall dilution of professional honesty and transparency cutting across the various stake holders. Fortunately, there are groups of individuals and organisations within and outside the state who have begun to speak up, giving boost to the voices of the poor and the marginalised. It is hoped that this would help create a realistic picture to a larger body of audience - locally, nationally, and beyond. On a concluding note, Professor Banikanta Mishra of XIMB and Shri Sudhir Patanaik re-emphasised the need to strengthen these marginalised voices and bring them to mainstream discourses on development, which hitherto have been overshadowed by mainstream academic writings and policy documents, often produced in isolation of the ground realities in the state.

References

Das, K. (1997): 'Policies of Industrial Location: Indian Federalism and Development Decisions', *Economic and Political Weekly*, 32 (51): 3268-3274.

Das, K. and Mishra, A. K. (2008): 'Horizontal Equity and the Thirteenth Finance Commission: Issues and Ponderables', GIDR Working Paper No. 185, *Gujarat Institute of Development Research*, Ahmedabad.

Government of Orissa (2010): *Economic Survey 2009-10*, Published by Planning and Coordination Department.

Mishra, B. (2010): 'Agriculture, Industry and Mining in Orissa in the Post-Liberalisation Era: An Inter-District and Inter-State Panel Analysis', *Economic and Political Weekly*, 45 (20), 15 May.

Padhi, S. (2008): 'A Background Note on Gains in "Human Development" and "Investment Climate" of Orissa as Redistributive Factors', Presented at the *State Level Seminar on State's Memorandum to the Thirteenth Finance Commission*, Organized by the Finance Department, Government of Orissa at Swosti Plaza, Bhubaneswar, 17 October 2001 (Mimeo, Unpublished).

Padhi, S. and Panigrahi, Nilakantha (2011): 'Tribal Movements and Livelihoods: Recent Developments in Orissa', CPRC-IIPA Working Paper No. 51, *Indian Institute of Public Administration*, New Delhi.

Panda, M. (2011): 'Growth-Poverty Linkages in Orissa', Presentation at the CPRC-GIDR-XIMB Workshop, XIMB, Bhubaneswar, 24 April (*Partly Based on Professor B. Mishra Endowment Lecture, Delivered at the Orissa Economic Association Meeting, February 2011*).

Pattanaik, I. and Shah, A. (2010): 'Is There a Glimpse of Dynamism in Orissa's Agriculture?', *Economic and Political Weekly*, 45 (26 & 27), 26 June: 756-759.

Sen, T. et.al (2008): Fiscal Reforms, Persistent Poverty and Human Development: The Case of Orissa, National Institute of Public Finance and Policy, New Delhi.

Shah, A. (2009): 'Natural Resources and Chronic Poverty in India: A Review of Evidence and Issues', CPRC-IIPA Working Paper No. 47, *Indian Institute of Public Administration*, New Delhi.

Shah, A., Nayak, S., and Das, B. (2009): 'Remoteness and Chronic Poverty in a Forest Region in Southern Orissa', CPRC Working Paper No. 121, *Chronic Poverty Research Centre*, Overseas Development Institute, London.