Has Chhattisgarh done better than Jharkhand in promoting inclusive development? A political settlements analysis of two newly created mineral rich Indian states

KEY FINDINGS:

• Despite initial similarities, Chhattisgarh and Jharkhand have shown quite different trajectories of growth, poverty reduction and outcomes from social welfare programming, with Chhattisgarh doing better in several important respects.

• Differences in outcomes and trends in development depend on the political settlement of each state, which have significant differences in elite cohesion, bureaucratic autonomy and administrative capacity, state-business relations, and resistance and the management of resistance.

• Chhattisgarh’s reforms have been effective in improving the Public Distribution System, while allowing nested levels of corruption to persist; Jharkhand’s Public Distribution System is relatively dysfunctional, notwithstanding recent attempts at reform.

• State facilitation of mining and industry, including acquisition of land, is more effective in Chhattisgarh than in Jharkhand. However, resistance to mining and displacement is dealt with a heavier hand in Chhattisgarh than in Jharkhand.

• Neither political settlement has promoted broad channels of social inclusion from mining. However, Chhattisgarh’s better functioning Public Distribution System has helped ruling elites claim legitimacy, which is starkly absent in Jharkhand.
There is keen interest in the creation of new states within India as a means of remedying spatial inequalities of old states and to foster better governance and developmental outcomes.

Chhattisgarh and Jharkhand are two mineral-rich states, both created in November 2000. Initially with some broad similarities (significant adivasi populations, large forested areas and mineral wealth), the two states have shown distinctive trajectories of growth, poverty reduction and social welfare programme outcomes, with Chhattisgarh leading in key areas. Chhattisgarh has aggressively pursued industrial investment, promoted an ambitious agenda of power generation and reformed the Public Distribution System (PDS) to deliver subsidised food grains to poor households (cutting leakages by 82% as compared with only 48% in Jharkhand between 2004-5 and 2011-12).

Both states have pursued mining activities as part of a broader emphasis on modernisation based on mega industries and development. However, while mining is important for economic growth (contributing approximately 10% of GSDP for each state), it raises questions of dispossession, environmental transformations which unfairly burden the poor, and acts of resistance, as evidenced in both states.

So how do the two newly created states compare, not only in terms of facilitating mining, but also in dealing with its social costs, either through direct investments from mining royalties or through other welfare agendas? This is the question being tackled by this research.

While there is abundant research on the PDS in both states, especially Chhattisgarh, and on mining, there is no other study to date that has tackled the two issues in relation to one other.

**Distinctive approach**

To compare the trajectories of development in the two states, this research goes beyond conventional explanations centring only on the nature of the political regime (left-of-centre party or not), or agency of a dominant political leader, social movements or subaltern resistance, or micro-level politics. It also steers clear of influential ‘resource curse’ type arguments which focus on perverse institutional behaviour within resource rich states, and their adverse social outcomes.

Instead, it adopts a political settlements approach which characterises the political arrangements between the various socio-economic groups in society - amongst political, economic and other social elites, and between elites and a range of subordinate groups - which are stable at a point in time, and which influence the distribution of benefits by existing institutions. It also considers which ideas or cognitive maps become influential within the political settlement, and the role they might assume in driving outcomes.

The political settlements of the two states were contrasted along four dimensions.

**METHODOLOGY**

More than 200 key informant interviews were carried out in the two state capitals and four purposively selected district headquarters (Korba, Raigarh, Hazaribagh and West Singhbhum). In addition to case study work with interviews, group discussions and field observations at the block and village level, involving one public and one private sector mining actor in each state, were undertaken. Project partners the National Institute of Public Finance and Policy (NIPFP) also carried out an analysis of fiscal policies for the two states.
Table 2: Comparison of the political settlements in Jharkhand and Chhattisgarh.

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<th>Elite cohesion and incorporation into party politics</th>
<th>Bureaucratic autonomy and administrative capacity</th>
<th>State-business relations</th>
<th>Resistance and the management of resistance</th>
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<td><strong>Jharkhand</strong></td>
<td>Low elite cohesion in political competition; multiple regional parties in contest with two national parties; adivasi vote diffused; all parties claim to pursue adivasi aspirations; no dominant political leader</td>
<td>Low bureaucratic autonomy due to multiple decentralised transactions for rent-seeking; personalistic relationships with politicians geared to serve short-term needs; low bureaucratic/administrative capacity</td>
<td>Poor state capacity to deal with needs of industry; cosy state-business links with some elite private entities that transcend particular political parties; weak state capitalism</td>
<td>Strong networks of civil society and dispersed acts of Maoist resistance; low patchy intra-Maoist conflict supported implicitly by government; firm central government counter-response to Maoists</td>
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<td><strong>Chhattisgarh</strong></td>
<td>High elite cohesion in political competition restricted to two national parties; appeasement of dominant OBC vote by both main parties and marginal political interest in adivasi representation; a dominant political leader in power for the third term</td>
<td>Relatively high bureaucratic autonomy enabled by upward-oriented and coherent organisation of rent-seeking with centralised control; elite bureaucratic group aid Chief Minister in pursuit of selected developmental goals; relatively high bureaucratic/administrative capacity</td>
<td>Relatively high state capacity to respond to needs of industry; close state-business links with public and rapidly proliferating private entities; explicit promotion of state capitalism</td>
<td>Uneven networks of civil society and concentrated Maoist presence; high profile state-sponsored vigilante army besides central government response; strong state crackdown on protestors</td>
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Mining is a ‘rent-thick’ sector, featuring closely embedded links between political and economic elites in both states. This research gained insights into how the political settlement shapes rent-seeking, through field observation of illegal mining. Jharkhand showed a decentralised system of rent collection with multiple stakeholders, and the coexistence of low level ‘informal mining’ by villagers and illegal mining outside the leased area by companies. Collusion of entrenched interests and a low level of institutional capacity have led to weak rule enforcement in Jharkhand. Chhattisgarh revealed a better organised, ‘bigger stakes’ game of illegal mining based on an effective alliance between prominent businesses backed by legal transportation and distribution contacts. These suggest high-level complicity between local state officials and higher levels of the political leadership. At the same time, there has been an effective clampdown on small-scale illegal mining in Chhattisgarh, suggesting better deployment of state capacity when desired.
No direct link between mining and social investment in either political settlement

Mining contributes a modest 11.5 percent and 13.4 percent of the revenue expenditure of Chhattisgarh and Jharkhand, respectively. There is no direct fiscal link between mining revenues and social welfare expenditure. The provision for the District Mineral Fund (DMF) to facilitate the use of mining royalties for the benefit of the local populace has not been well-established in either state. While there has been the political settlement promoted broader channels of social inclusion from mining, such as through progressive taxation or public ownership. Even central and state laws for safeguarding the rights of adivasis are being violated in both, with local variations. A few narrow channels of inclusion, e.g. in the form of employment provision, are being practised at the company level, with the public sector doing broadly better in both states. Corporate Social Responsibility (CSR) is low key in impact and scope, though grand claims are made by both public and private sector.

Neither DMF nor CSR is viewed politically as a means of placating local communities, who are bearing the costs of mining. Doing out subsidised rice instead through a corrupt, yet functioning, PDS system in the case of Chhattisgarh, has served as a powerful legitimating discourse for ruling elites to claim social welfare delivery. This is not the case in Jharkhand, where no such claims can be credibly made.

Implications of political settlements for the new states debate

Adopting a political settlements approach has permitted going beyond conventional explanations which centre on the type of regime or political agency or institutional functioning that have dominated research to date. It does so by bringing together the extent of elite cohesion and incorporation within political competition, bureaucratic autonomy and capacity, the nature of state capitalism, and the expression and management of resistance into a single analytical framework.

Research findings strongly suggest that differences in outcomes and trends in development between Chhattisgarh and Jharkhand depend on their respective political settlements. Importantly, the multi-dimensional political settlement framework lends itself to a more nuanced and multifaceted assessment of each state’s performance in moving towards inclusive development.

Chhattisgarh's PDS reform has been more effective in improving delivery, but it also contains nested levels of corruption and satisfies the interests of the ruling coalition. Jharkhand's mining sector is riddled with delays and hurdles, but those protesting in favour of local communities’ rights are not as easily dismissed. There is rampant rent-seeking through mining in both states, but the organisation of rent collection and illegal mining is closely affiliated to their respective political settlements, with Chhattisgarh's political elites better masked through more well-organised operations. Chhattisgarh's superior functioning PDS is a vital constituent in the ruling coalition's bid for legitimacy, given the wider accumulations and dispossession underway. The same is not possible within Jharkhand's political settlement, where the broken nature of the welfare system leaves the ruling elites more exposed to criticism for all-round mismanagement.

In sum, while we can conclude that the political settlement in Chhattisgarh has certainly enabled the promotion of service delivery and, to an extent, facilitated mining better than in Jharkhand, the continuation of high levels of corruption and brutal dealings with protestors raises serious questions around transparency, accountability and political inclusion. This means that we cannot conclude that Chhattisgarh has necessarily done better than Jharkhand in promoting inclusive development, or that it should be regarded as an exemplar amongst low-income states in India.

And, finally, the literature has tended to emphasise the creation of smaller new states in India in order to promote inclusive development, both through the reduction of spatial inequality and the positive politics of recognition of historically disadvantaged communities. This research shows that whether this happens in practice, as in the case of Jharkhand and Chhattisgarh, would depend on the political settlement, elite bargaining, cognitive maps that elites hold, historically acquired state capacity and state treatment of protest.

FURTHER READING


Available at: www.effective-states.org


ABOUT THIS BRIEFING

This briefing was produced from the ESID project ‘Have newly created Indian states promoted inclusive development? A comparison of Jharkhand and Chhattisgarh’, carried out by Vasudha Chhotray (UEA), Vidushi Bahuguna (CPR) and Anindita Adhikari (CPR, Brown University). It was drafted by the ESID project research team with inputs from Kunal Sen.