

## ESID Briefing No. 18

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

### KEY FINDINGS:

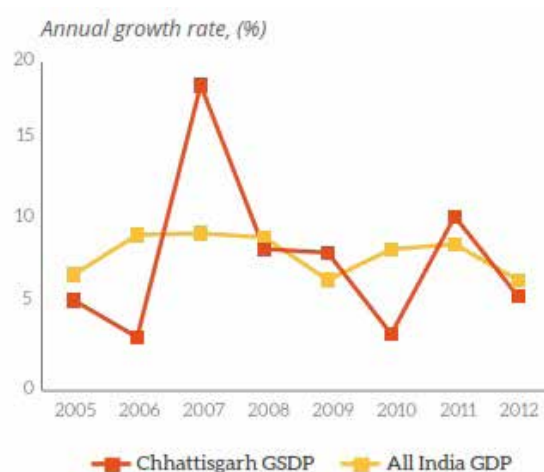
- Despite initial similarities, Chhattisgarh and Jharkhand have shown quite different trajectories of growth, poverty reduction and outcomes from social welfare programming, with Chhattisgarh doing better in several important respects.
- Differences in outcomes and trends in development depend on the 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.

Table 1: Growth and social welfare outcomes for Chhattisgarh and Jharkhand, 2005-2012.

	Chhattisgarh		Jharkhand	
	2005	2012	2005	2012
Annual growth rate of real GSDP per capita (%)	1994 to 2005: 2	2005 to 2012: 6.1	1994 to 2005: 2.2	2005 to 2012: 4.5
Job growth (%)		1.6		-0.2
Poverty rate (%)	51	40	47	37
	(Rural: 55%; Urban: 28%)	(Rural: 45%; Urban: 24%)	(Rural: 52%; Urban: 24%)	(Rural: 41%; Urban: 25%)
Head count ratio	Rural: 40.8; Urban: 41.2		Rural: 46.3; Urban: 20.2	
Literacy rate (%)		71		62
Infant mortality rate (per 1000 live births) (2012-13)		46		37

Source: [www.worldbank.org/en/news/feature/2016/05/26/india-states-briefs](http://www.worldbank.org/en/news/feature/2016/05/26/india-states-briefs)

Figure 1: Annual growth rates, Chhattisgarh and Jharkhand, 2005-2012.



Source: [www.worldbank.org/en/news/feature/2016/05/26/india-states-briefs](http://www.worldbank.org/en/news/feature/2016/05/26/india-states-briefs)

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)<sup>1</sup>.

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.

<sup>1</sup> [www.im4change.org.previewdns.com/siteadmin/tiny\\_mce/uploaded/Understanding\\_Leakages\\_in\\_the\\_Public\\_Distribution\\_System.pdf](http://www.im4change.org.previewdns.com/siteadmin/tiny_mce/uploaded/Understanding_Leakages_in_the_Public_Distribution_System.pdf)

## MAIN FINDINGS

### Differences in political settlement, as well as political agency and bureaucratic capacity, drive public distribution system (PDS) reform variations

Chhattisgarh has expanded, streamlined and computerised its PDS system, both for procurement and distribution. A powerful historical memory of drought led successive Chief Ministers (Ajit Jogi and Raman Singh) to act, later supported by national-level mobilisations on the Right to Food. Enabled by his stable position in power, Singh relied on a core team of bureaucrats to preside over a series of reforms. The relatively well-organised bureaucratic apparatus delivered, with tangible results. Singh was credited for building a social coalition in favour of welfare.

Conventional explanations have focused on dissecting political agency and bureaucratic capacity that drove distribution-side reforms. This research shows that expanding the PDS was critical, not only in gaining popular support, but also to sustain the Other Backward Class (OBC)-dominated farming lobbies from the electorally significant plains regions. Ensuring their interests is a key part of Chhattisgarh's political settlement. Expanded procurement has comfortably coexisted with systemic multilevel rent-seeking at various stages, satisfying the rank and file of concerned agencies, top leaders, ruling party workers, and the omnipresent middlemen. Together with the general popularity of the PDS system, such expansion has allowed the ruling coalition to accommodate the disaffections of some losers, such as private dealers.

In Jharkhand, the political settlement has produced successive short-term stints by political parties. No political party in power has been able to take on any vested interests (especially higher caste private dealers) plaguing the PDS, and low bureaucratic autonomy and capacity have crippled reform. Unlike Chhattisgarh, Jharkhand is not a major rice-producing state and has no equivalent farming lobbies to drive procurement reforms. The first set of serious PDS reforms were undertaken during a period of President's rule in 2009, with the Governor taking an active interest. The recent emphasis on the PDS after the new majority BJP government took charge mainly includes introducing technocratic reforms.

### Cognitive maps favour mining in both states, but the organisation of rents and illegal mining is distinctive in each political settlement

Both states have established histories of mining, and mineral-based development has been championed vigorously by dominant elites in both, mirroring a firm national-level steer towards private capital in resource extraction.

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.

*“Mining features closely embedded links between political and economic elites in both states.”*

### Interplay between central laws and local power relations nuance outcomes further within each political settlement

Greater ease of business is claimed by state and business elites in Chhattisgarh than in Jharkhand, and there is a higher level of institutionalisation of state mechanisms to deal with the needs of the mining industry. However, this research establishes that central laws (on mines allocation and land acquisition) and local power relations powerfully influence the processes unfolding on the ground.

In critical arenas such as land acquisition, the state-level political settlement itself does not pre-determine outcomes. This research reveals distinctive interactions between local elites, state government officials, the police, corporates and social activists in brokering deals around land acquisition. Resistance by civil society groups tended to be more protracted, even violent, in private mining areas than in public sector mining. Such resistance tended to be more effective in Jharkhand, with more robust involvement from political representatives and a weaker state counter response. In Chhattisgarh, resistance activities tended to be more low key and episodic, and were met with a firm hand by the state.

**Table 2: Comparison of the political settlements in Jharkhand and Chhattisgarh.**

	Elite cohesion and incorporation into party politics	Bureaucratic autonomy and administrative capacity	State-business relations	Resistance and the management of resistance
<b>Jharkhand</b>	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	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	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	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
<b>Chhattisgarh</b>	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	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	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	Uneven networks of civil society and concentrated Maoist presence; high profile state-sponsored vigilante army besides central government response; strong state crackdown on protestors

## 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 Foundation (DMF) to facilitate the use of mining royalties for the benefit of the local populace has not been well-established in either state. In neither has 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. Doling 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 dispossessions 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

Chhotray, V., Bahuguna, V. and Adhikari, A., 'Newly created Indian states and inclusive development: The sub-national political settlements of Jharkhand and Chhattisgarh', ESID Working Paper, forthcoming

Available at: [www.effective-states.org](http://www.effective-states.org)

Chakraborty, L; Garg, S; Singh, G., 'Cashing in on mining: The political economy of mining regulations and fiscal policy practices in India', Working Paper Series, National Institute of Public Finance and Policy, New Delhi.

## 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.

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