

National Investment Board

One More from Pandora's Box

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The proposal for an all-powerful National Investment Board to clear large projects has stirred opposition, including from within the government. The opposition has been about riding roughshod over the concerns of some ministries. But the NIB proposal also throws up larger issues. Has India's economic growth really meant "development" in the true sense of the word, and how sustainable and equitable is it? Measures like the NIB may well help in taking the growth rate a notch up, but is this necessarily good? Who is the real "terrorist": those who "delay" investment projects in the name of the environment or people's rights, or those who impose such projects in the name of development?

Further data, analyses and references related to this article are available in *Churning the Earth: The Making of Global India*, co-authored by Ashish with Aseem Shrivastava (Viking/Penguin Books, 2012).

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The ongoing spat amongst ministers of the union cabinet with regard to the proposed National Investment Board (NIB) has exposed some sordid processes in India's economic policymaking. In early October, Finance Minister P Chidambaram set the cat among the pigeons by proposing that the NIB would have the power to overrule ministries if they delayed clearing large-scale projects. Minister of Environment and Forests (MOEF) Jayanthi Natarajan promptly shot off a letter to Prime Minister Manmohan Singh objecting to the proposal. She was joined soon thereafter by Minister of Tribal Affairs V Kishore Chandra Deo. A large number of civil society organisations too joined in the chorus of protests, including at the recently concluded 11th Conference of Parties of the Convention on Biological Diversity (CBD COP11) in Hyderabad.

Chidambaram's proposal for the NIB has come in the wake of a general weakening of India's economic growth story and the signals from a number of agencies and governments abroad that India needs to get its act together if it wants to continue attracting foreign investments. Reportedly, the NIB would be a cabinet committee, headed by the prime minister, which would intervene on behalf of investors if the time for clearing a project, to be mutually agreed between the NIB and the relevant ministry, were exceeded. From the viewpoint of those who believe industrial investments are crucial to India's development, this would sound like a perfectly reasonable proposition. Thus, it would seem reactionary on the part of Natarajan, Deo and civil society to want to stand in the way of what appears to be one way to boost the economy. So much so that *India Today* published a cover story labelling the actions of Natarajan (and that of her predecessor,

Jairam Ramesh), and others of their ilk, "green terror".¹

But this would be a short-sighted and narrow way of viewing the controversy. The NIB proposal needs to be seen in the context of the impact of India's economic growth: Has it really meant "development" in the true sense of the word and how sustainable and equitable is it? Measures like the NIB may well help in taking the growth rate a notch up, but is this necessarily good? Who is the real "terrorist" – those who "delay" investment projects in the name of the environment, or people's rights, or those who impose such projects in the name of development?

Economic Growth vs Sustainability

While justifying the latest economic reform measures in September, the prime minister said, "money does not grow on trees"; instead, it grows by cutting them. No, he did not say this but his policies have shouted it out. If we take "trees" to mean not only trees per se but nature as a whole, economic reforms have come at such an enormous environmental and social cost that we are undercutting the safety and security of all future generations. Indeed, at the just concluded CBD COP11, India assured the world that it would be at the forefront saving the world's biodiversity.

The prime minister was talking about how the latest measures for economic reforms were necessary in order to revive India's economy. There has been much lamenting about how the growth rate has fallen, partly due to a policy paralysis and how it is hurting the country. Hence, a spate of measures announced recently and others that are in the offing, including the NIB proposal. Unfortunately, the hidden subtext in these policy pronouncements has hardly been noticed.

Growth "at any cost" has indeed been at significant cost. And it has not been anywhere on the radar of the government or of those who celebrate the further globalisation of the economy. India's growth story in the last couple of decades has catapulted us into the league of big nations. But it has also increasingly driven us into borrowed time – we are already

living on the resources that should have been left for coming generations. Indeed, a revived economy of the same kind can only mean that we are continuing along a dangerously unsustainable path.

Since 1991 – when Manmohan Singh, then finance minister, ushered in a series of macroeconomic policy changes – India's forests, coasts, seas, lakes and rivers have faced an increasingly brutal attack along with the communities dependent on these ecosystems for their survival, livelihoods and cultural identity. It is not as if such impacts were not felt before 1991 – the model of “development” adopted since the 1950s has had the same kinds of results – but they have significantly intensified in the recent phase. For instance, of the total forestland diverted since 1980-81 (when the Forest Conservation Act was enacted to make it mandatory for state governments to seek central permission for non-forest use of such land), about 50% has been diverted after 2001-02. Of the 1.5 lakh hectare forestland diverted for mining in the same period, over half has been diverted in the last decade. And while our bureaucracy reassures us that, overall, our forest cover has not gone down, it hides the fact that *natural*, dense forest has dwindled and has been compensated only by near-dead monoculture plantations or sparse vegetation.

Take another impact: Fishery exploitation has shot up phenomenally in the last couple of decades with marine product exports more than quadrupling. For the first time in history, India's territorial waters are showing signs of stock decline. Perhaps the most damaging activity of all, mining, is now laying bare thousands of square kilometre and creating two billion tonnes of toxic wastes every year. “Coalgate” is only the tip of the hidden lodestone of scams in this sector.

Economists in decision-making positions assert that sacrifice is necessary to alleviate poverty if “development” is to reach India's teeming masses. But does economic growth, per se, regardless of how it is generated, really help the poor? Take mining for instance – from 1991 to 2004, the value of minerals produced went up fourfold but employment in the sector dropped by 30%, meaning we have had “jobless growth” overall. One major reason

is that industries and services are getting increasingly mechanised or automated. For instance, in Jamshedpur, the Tatanagar steel plant in 2005 produced five times the output it did in 1991 with half the labour. This is one major reason for the continued prevalence of poverty, hunger and malnutrition, all of which, measured by any standard, are shamefully high.

Other reasons include the marginalisation of those most dependent on nature and natural resources for their livelihoods, the pauperisation of the small farmer due to agricultural policies favouring commercial, corporate-size cultivators, rapidly increasing costs of essential services and goods, and others. The recent study showing the extremely high prevalence of stunted children in Gujarat, where growth rates have been amongst the highest in the world, should alert even the most insensitive of observers to the fallacy of an automatic positive correlation between economic growth and human well-being.

In 2008, the Confederation of Indian Industries (CII) and Global Footprint Network (GFN) released a report – *India's Ecological Footprint: A Business Perspective* – that pegged India's overall ecological footprint (its environmental impact) at the third highest in the world. More alarmingly, it stated that Indians are using two times what the natural resources of the country can sustain (i.e., twice its “biocapacity”) and that the natural capacity itself has been halved in the last few decades. The report concluded that India's growth was unsustainable.

In a report in the late 1990s, The Energy and Resources Institute (TERI) revealed that a few of the environmental costs – loss of agricultural productivity due to soil loss, loss in timber value due to forest degradation, and health costs of polluted water and air – exceed 10% of our gross domestic product (GDP). Such costs have only gone up and if all others are also calculated, they may well knock a few percentage points off our famed growth rate.

Diluting Safeguards

Unfortunately, neither the government nor industry appears to have learnt any lessons from these studies. The rhetoric of “sustainable development” notwithstanding, environmental governance is

being systematically weakened. Since 1991, notifications under the Environment Protection Act dealing with protecting fragile coastlines and assessing the environmental impact of development projects, have been changed 30 times, nearly all of them to exempt more or bigger projects from having to undergo assessments or public hearings. Policies and laws governing mining have been diluted to allow bigger and bigger mining (e.g., in 1996 a company could be granted a maximum lease of 25 sq km ... it is now 5,000 sq km). About 15% of India's territory is under mining reconnaissance and the 2008 National Mineral Policy suggests that environmental regulations should become voluntary! Meanwhile, as it clears up to 100 projects a month, MOEF pays lip service to the rigorous environmental impact assessments that it should be insisting on, puts mostly “yes-men” on various committees meant to screen projects and has, at most, two dozen staff members to monitor over 6,000 projects already cleared.

A spate of recent measures has signalled that environmental regulations would either be further diluted or side-stepped. For instance, in 2009, in one of its uncommon progressive moves, MOEF sent the states a circular requiring that all proposals for diversion of forestland should seek the consent of relevant gram sabhas and ensure that the Forest Rights Act has been implemented on such land. Even though this circular has hardly been implemented, the central government is already considering weakening it by requiring gram sabhas to take quick decisions. The prime minister has also made several noises about doing away with “unnecessary” hurdles in the way of investments. The proposed Land Acquisition Bill, which is trying to bring in stringent measures to reduce land-grab by corporates, is also facing several dilutions in its provisions. Now, the NIB proposal, if accepted, will be another nail in the coffin of environmentally sound governance.

A number of points that Natarajan makes appear to bear out the assessment above:

- I submit that no entity anywhere in the world has the right to set up a project or an industry anywhere he wants just because of the possibility of large investments.

- There is a distinct conflict of interest between the remit of any Investment Promotion Board, and the mandate of the Ministry of Environment and Forests. The object of any Investment Promotion Board would clearly be to promote investment. The mandate of the MOEF is to protect the integrity of the environment, to ensure that our forests, and wildlife, and by extension, forest dwellers are protected ... In this context, it would be utterly against the spirit of the Environment Protection Act to allow an investment board, or the Finance Ministry of overrule, or decide upon environmental concerns.
- This is particularly sharpened in the context of your commitment to the most disadvantaged sections of society, indigenous people forest dwellers, and the *aam admi*, whose interests and health are often impacted by unregulated industrial excess.
- The (NIB) note provides that industrialists and project proponents, especially in large projects with investments of over Rs 1,000 crore can appeal to the NIB if aggrieved by any decision of the Environment Ministry. Ironically, the note does not even contemplate that ordinary citizens, stakeholders, or NGOs who may be aggrieved by the impact of the project should also have a right of appeal. This indicates that the NIB will not only take over the powers of the minister, in specific cases of “failure” (as judged by NIB), but also that these powers will be used for the benefit only of large investors, but not ordinary people, local citizens and stakeholders dedicated to preserving environmental integrity.

It is commendable that Natarajan has spoken out for an environmental regulation and for the interests of common people. However, even she does not challenge the logic of industrialised development per se; she is, in fact, at pains to assure the prime minister that MOEF is not standing in the way of investments:

I can demonstrate with incontrovertible statistics that as far as the Ministry of Environment is concerned sufficient Environmental (ECs) and Forest (FCs) clearances have been given to SUPPORT PROJECT CAPACITY IN KEY SECTORS OF COAL MINING, POWER, STEEL AND IRRIGATION for the next 10 years at least.... In the Eleventh Plan period alone, MOEF has granted clearance for diversion of forestland to as much as 2.04 lakh ha of forestland (capital letters in the original).

She further points out that the main problem in her ministry is not delays, but rather in operationalising projects that have already obtained clearance (for example 2,10,000 MW of thermal power capacity in the period 2006-11). She does admit (somewhat indirectly)

that many clearances may have been improperly given:

...[T]oday many projects are being delayed after clearance has been granted, simply because we are not able to justify that the statutory procedure for clearance has been followed.

But she does not follow this to a logical conclusion that should derive from any assessment of facts – the current path of economic growth will simply not permit any reasonable and workable system of environmental regulations both because of the inexorable fixation of growth rates and because state-dominated governance, crony capitalism and favouritism of industrial barons are all inherent to it.

Our economy is currently in the intensive care unit, on life support as it were, but rather than administer the same prescriptions that have brought it into an emergency situation in the first place, our policymakers need to look at fundamentally different pathways. This will only happen if they realise that the most crucial fluids and oxygen keeping the economic body alive are not foreign direct investment (FDI) but nature itself. And the people most needing empowerment and enhanced well-being (and, as Natarajan says, the “right of appeal”) are not the already spoilt rich corporates and consumers but the half of India that continues to live closest to nature.

An Alternative

Indeed, the government need not go far to find the answers; it needs only to look beyond the captains of industry and towards ordinary people whose innovations are demonstrating sustainable methods of producing or delivering food, water, energy, housing, livelihoods, industry, crafts, conservation, and other human needs. In the driest parts of India (such as Kutch and Rajasthan), hundreds of villages have achieved water security through decentralised harvesting and careful husbanding of the meagre rain. In the dryland agricultural stretch of Medak district in Andhra Pradesh, dalit women farmers have reached food sovereignty through the revival of local seeds, organic farming, and links to an alternative public distribution system. Near Chennai in Tamil Nadu, a panchayat

head is taking his village towards economic self-sufficiency and is now working with dozens of other panchayats to set up local exchanges for all the basic needs of life.

Producer companies of farmers, craftspersons, pastoralists and others linking with small retailers in Andhra Pradesh, Karnataka, Gujarat, Assam and elsewhere are showing that big brand companies and FDI in retail are unnecessary (and in any case not a solution to abject poverty). Local self-governance is being achieved by villages in many states and attempted by urban wards or proposed area sabhas in many cities. Waste recycling and zero-waste living is being demonstrated by worker unions and colony associations in Bhuj, Pune, Bengaluru, and other cities. And villagers in Alwar district of Rajasthan are showing that it is possible to manage large landscapes (in this case a river basin) through collective democratic means.

In many states, the government too is responding. Organic farming policies or programmes are being officially practised or proposed in half of India’s states, with some like Kerala declaring they will become totally organic in less than a decade. Bihar is moving towards decentralised renewable energy sources to provide electricity to its villages, something that centralised fossil fuel-based power generation has failed to do. The district administration in Gadchiroli district of Maharashtra has in response to determined community and civil society action facilitated the transfer of forest governance to several hundred villages under the Forest Rights Act. The union government’s promulgation of this and other laws such as the Right to Information Act also shows that the state is not a monolith.

However, if it is to honour its commitment to the long-term interests of the country’s people, the government cannot depend on piecemeal measures that are dwarfed by the juggernaut of narrowly defined economic growth. To do so, it would have to acknowledge that its economics is fundamentally faulty, and it would have to bring in radical governance changes towards genuine decentralisation. It needs to listen to and facilitate a radical ecological democracy that

empowers all citizens and communities to take decisions, with environmental and social sensitivity, about the best long-term ways of enhancing and sustaining human well-being.

Hopefully, Natarajan and Deo will stand firm and the NIB proposal will be a non-starter. But it is only the latest dangerous creature to emerge from

P(andora) Chidambaram's box (and the boxes of his neo-liberal colleagues running the Planning Commission and the Government of India) – there are already several, armed to their teeth, waging gang warfare against the country's poor people and against nature. Unless they are reined in, and unless the quiet genius of India's communities

and grass-roots experts is facilitated to show what genuine human well-being is, we are headed down one very slippery slope.

NOTE

- 1 <http://indiatoday.intoday.in/story/green-terror-outdated-environmental-laws-and-inflexible-ministers-strangle-indian-economy/1/223555.html>