




PHOTO IMAGING: AJIT BAJAJ / CSE

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A close-up, profile view of a man's face, showing his ear, cheek, and part of his eye. He has dark skin and short dark hair. The image is partially obscured by text on the right and bottom.

AFTER A YEAR OF SEPARATION,
TELANGANA AND ANDHRA
PRADESH ARE LOCKED IN A
RECKLESS RACE TO ATTRACT
INDUSTRIAL INVESTMENT.
THEY ARE OFFERING UNHEARD
OF INCENTIVES LIKE RIGHT
TO CLEARANCE AND WATER
ALLOCATION ON PRIORITY FROM
SOURCES PRIMARILY MEANT
FOR DRINKING AND IRRIGATION.

RAJESHWARI GANESAN

FLAGS UP THE INEVITABLE
CLASH BETWEEN INDUSTRY AND
AGRICULTURE, AND THE THREAT
TO THE ENVIRONMENT

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N JUNE 22, a day after India secured a much publicised record for holding the largest Yoga session led by the prime minister, headlines across the country reported another record. Telangana cleared 17 investment proposals worth ₹1,500 crore within 10 days of application. This was the fastest approval, true to the state government's promise under its new industrial policy declared just 10 days earlier.

Chief Minister K Chandrashekara Rao released the policy, Telangana State Industrial Project Approval and Self-Certification System (TS-ipass), on June 12. This is the first policy document from India's newest state and has everything to make Telangana the world's most investment-friendly state. The policy, formulated a year ago, was enacted into law in November 2014. Just before its official release this year, full-page newspaper advertisements depicted a Telangana platter with all incentives for industries as the right recipe for garnering investment. By 2020, the state expects to attract an investment of ₹5 lakh crore. To make sense of this figure, the state's GDP in 2014-15 was ₹4 lakh crore.

TS-ipass mandates that permissions and licences will be given within 15 days for big projects, and

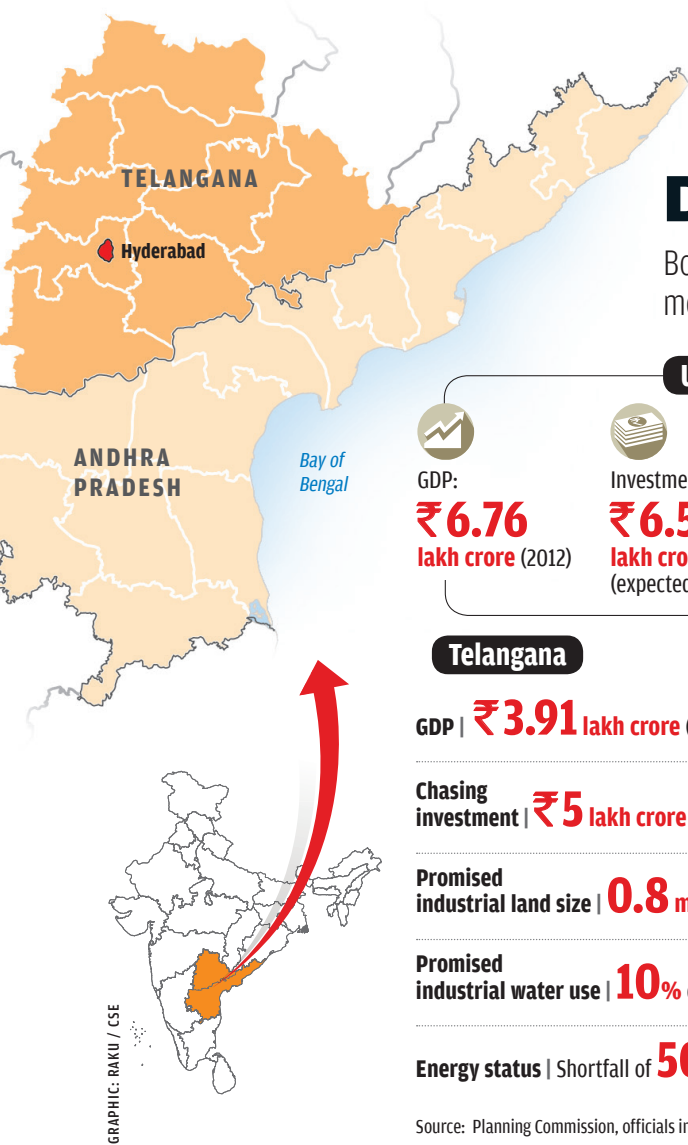
if no decision is taken during this period then the permission will be deemed to have been given. The icing on the cake is the right to get clearance of projects within a set time limit. Under TS-ipass, all the proposals for mega projects—with an investment of over ₹200 crore—have to be cleared within 15 days, while other projects will have to be approved in a month. Allocation of various resources has been exhaustively elaborated in the policy note. What's more, the new state promises to amend laws that hamper investments.

It offers a land bank of nearly a million hectares and 10 per cent water allocation from all sources for industrial use. The new policy also promises "minimum inspection, maximum facilitation", under which the state's regulatory checks and balances have been diluted to a great extent (see 'Recipe for disaster?' p28). Now an industrial unit will be informed about an inspection much in advance. The policy note opens with this as the first objective: "Minimum inspection would encompass a system of no random inspections without cause. Subject to statutory requirements, the departments will develop a system where each industrial unit is inspected only once in 3/4 years and the cycle of inspections is to be fixed in advance. Maximum Facilitation would encompass an effective

Failed cotton crops and heavy debts have forced Telangana farmers, like this one in Chotuppal in Nalgonda district, to sell agricultural land and pave way for industries

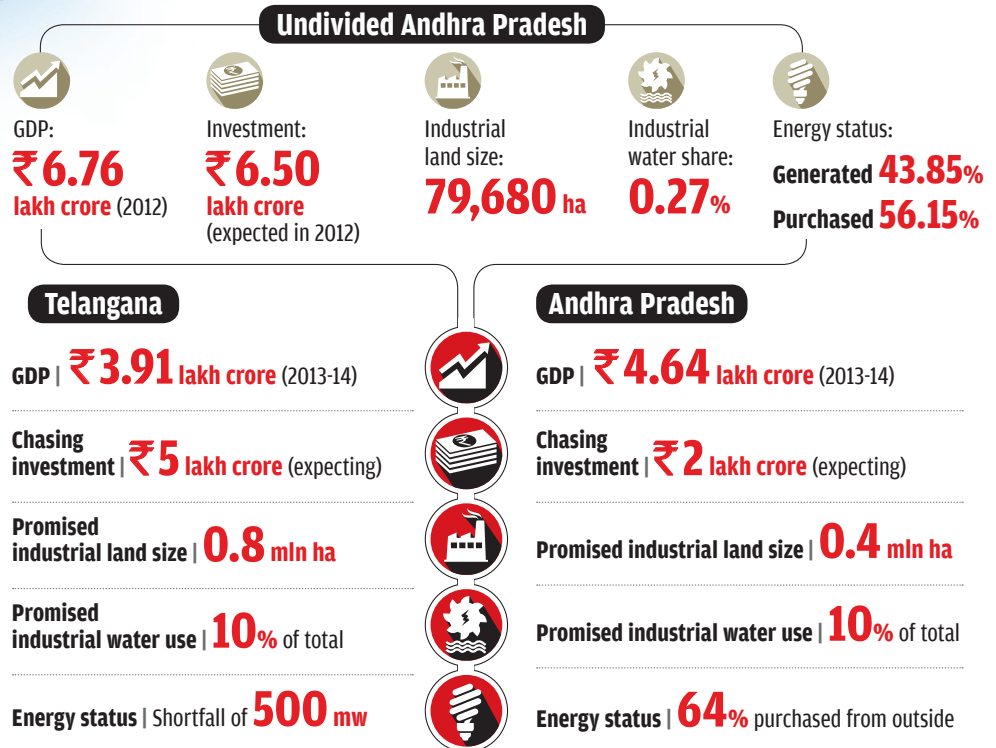
PHOTOS BY SPECIAL ARRANGEMENT





Desperate chase

Both Telangana and Andhra Pradesh are promising investors more than what they can deliver



Source: Planning Commission, officials in Andhra Pradesh and Telangana irrigation, energy, revenue and industries departments

system beyond the conventional single window as the anchor. Self-certification will be encouraged and automatic renewals will be implemented.”

Today, the main reason industrial pollution has reached alarming levels in several states is weak monitoring and inspection. But diluting monitoring further could prove disastrous.

Industry representatives say minimum inspection is bound to curtail red tape. “It is an imaginative and innovative industrial policy,” says K Sudhir Reddy, chairperson of the Telangana Industrialists’ Federation. The government is also keen on drawing investments like never before. “The unique feature of the industrial policy is the right to clearance which has been drafted along the lines of the Right to Information Act. This has been done to ensure a hassle-free regime for industrialists and hold government officials responsible,” said K T Rama Rao, the chief minister’s son and state information technology and panchayat raj minister, in an interview to *Business Today*. “No other state in India offers this. Investors

in the US also say none of the states there offers this.”

Backed by this commitment, the bureaucrats seem eager to script a new industrial age. “Departments like the Pollution Control Board and the Directorate of Town and Country Planning take unnecessarily long to clear a project. We want that to stop,” says Jayesh Ranjan, secretary, information technology, who was part of the team that drafted the policy. In case of gaps in the information furnished by the applicant, the officials need to raise it within three days of application. If the project is rejected, the reasons have to be stated in detail and within the said time frame. “The ‘right’ has been formulated because the industrialists should not feel like a supplicant and wait endlessly for the clearance. We are trying to cultivate an ease in doing business in the state and want to eliminate the unnecessary inspection and paperwork,” he adds.

Nara Chandrababu Naidu, the chief minister of Andhra Pradesh and poster boy for industrialists, is not lagging behind. In a game of one-upmanship, Telangana and Andhra Pradesh are competing

Recipe for disaster?

Big holes in Telangana's industrial policy

Deemed approval: A board, to be set up at the state level, shall grant in-principle approval to mega projects on receipt of self-certification by the applicant. This will serve as "deemed approval" for all practical purposes for the project to kick off. This can allow approval holders to continue with activities endlessly if final approval is not obtained. It makes the final approval just a "cursory paperwork".

No random inspection: This is in contravention of the spirit of the water and air Acts that grant a person empowered by a Pollution Control Board the right to enter industrial premises at all times, as it considers necessary for doing inspection and examining or testing equipments and samples.

Inspection only once in three-four years: Allowing any industrial unit to be inspected only once in three-four years without any specification of the category of industry can be disastrous. In 1999, the Central Pollution Control Board had suggested the frequency of inspection for various categories of industrial units. Though this was not enacted as a regulatory mandate, it does provide a scientific time frame for inspection and monitoring. As per this the only instance when inspection can be acceptable once in three-four years is for non-polluting, small-scale industrial units.

like never before. Andhra Pradesh aims at attracting investments to the tune of ₹2 lakh crore by the end of 2020. It offers a land bank of almost half a million hectares. Industrial policies of the two states announced within days of each other are mirror images for most parts. To sum it up, both the states are generous in parting with natural resources.

However, the rush for investment is not without apprehensions. Its implications for agriculture and impact on the environment are likely to be dire.

Farmers left in the lurch

Telangana is ravaged by an almost chronic agrarian crisis that has forced about 10,000 farmers to end their lives in the past two decades. The state has India's second highest farmer indebtedness: 89 per cent farmer families are in debt, with an average debt of ₹93,500 per family. Farmers *Down To Earth* spoke to appeared desperate to quit farming.

Seventy-year-old Yellareddy had travelled nearly 100 km to Hyderabad from Yadagirigutta in Nalgonda district to get compensation for his crops damaged by the untimely rains in April. The government had refused to purchase the crop as it was not dry. "How can we protect the crops from getting wet? I hope the chief minister, a farmer himself, understands this," he said, as he waited for hours to meet officials at the swanky new Telangana secretariat building. When told about the government's indus-

trial policy, Yellareddy did not hesitate in offering his land for industry. "I have made only losses from agriculture. Either I have to commit suicide or I can sell the land for industry and make some money out of it."

Farmers in the cotton-cultivating Warangal district echo his sentiment. "There is no future for us in agriculture. If we get a good price for our land from industries, we don't mind selling it. As it is, we go to cities to find work despite owning two hectares (ha) in the village," said G Kondal Reddy, a farmer in Ippagudam village.

Whether new industries can absorb millions of farmers is a big question because industrialisation does not offer a U-turn.

In Andhra Pradesh, the situation is different. Nonetheless, the threat of industrialisation looms large over the agriculture sector. Farmers there have not been driven to despair. Substantial irrigation networks in the state enable three to four crops in a year, so farmers do not understand the enthusiasm for industrialisation. Most feel threatened by the land acquisition drive for industry and the new capital of the state. "I don't need industries and factories, nor do I need a new capital city," says 40-year-old Tadiboyaga Sankar, working in his lush banana plantation in Munugodu village in Guntur district. As Sankar talks about his land, he is overwhelmed by emotions and breaks down. "The police threaten us every day so that we hand over the land to the government. This land is like my mother and has given me more than the government can compensate me for."

Broken promises

For the farmers and activists of both the states the industrial rush is unexpected. During Assembly and general elections, both the chief ministers had sworn by agricultural growth.

While campaigning for the elections in 2013-14, Telugu Desam Party (TDP) chief, Naidu, apologised to the people of the state for "small" mistakes in his previous tenure. He was referring to rampant industrialisation and total neglect of agriculture that set in the current crisis and resulted in the TDP sitting in the opposition for two consecutive terms.

In April 2014, when Rao released his party's manifesto, he promised that the party would turn farmers into millionaires if voted to power. He promised irrigation for 40,000 ha in each Assembly segment in Telangana, waiver of crop loans up to ₹1 lakh and new technologies to boost agricultural growth. He also promised a little over a hectare of land to each landless farmer along with one year of financial support for irrigation. He said he would turn Telangana into the

seed bowl of India. Soon he swept the Assembly and Lok Sabha elections and formed the first government in the new state. A year later, the state formulates its first industrial policy aimed at making Telangana the “industrial hub of the nation and the world”.

This policy derides the very reason for the struggle for separate state, points out Muddasani Kodandaram Reddy, chairperson of the all-party Telangana Political Joint Action Committee formed for statehood for Telangana. “The movement was based on the neglect of farmers in the Telangana region in the composite state. What has changed now?” he asks, echoing the political opposition.

The state is yet to prepare the promised agriculture policy which was a priority during elections and the long fight for statehood. Peasants’ right over land and reviving agriculture were the two issues that launched movements in the region. “Where do the peasants fit in now?” asks S Malla Reddy, vice-president of the All India Kisan Sabha in Hyderabad.

In such an atmosphere, creating the political and resource capital for industrialisation will be the biggest challenge for Rao.

Telangana in for resource war

Soon the farmers versus the industry debate will be pronounced, and for valid reasons. Telangana walked away with significant natural resources during the separation, but it also inherited the agrarian crisis. The new industrial policy will pitch farmers and industries against each other as they will compete for critical resources like water, land and power. It will also alienate some 70 million people who depend on forest.

Telangana has a rich forest cover. The 10 districts in the state account for 45 per cent of erstwhile Andhra’s forest cover. Adilabad, Karimnagar, Khammam, Nizamabad and Warangal districts have dense forest cover, and this is where the government has planned various industries. Khammam is rich in coal and half of the district (760,000 ha) is under very dense forest cover. “The expansion of coal mines will completely eliminate the forest cover of Khammam. Industrial clearances in the forest region are going to serve as a suicide note for the ecology,” warns Ravi R Pragada, executive director of NGO Samata in Visakhapatnam. Samata is working on development issues among tribal communities.

Telangana has significant water resources. Nearly 80 per cent of the Godavari’s catchment area lies in Telangana, and the state is allocated 440 thousand million cubic feet (TMC) of its water. Almost 70 per cent of the Krishna’s catchment area is in Telangana and 267 TMC of its water is allocated to the state.

POINT COUNTERPOINT



“Telangana government has a system of self-certification, under which industries can sign clearances themselves. So who will provide the checks and balances?”

E A S Sarma, Former secretary to the Government of India



“The clause would ensure that there is no unnecessary delay in the clearance of projects. If the self-certification is found to be erroneous, it will be dealt with severely”

Jupally Krishna Rao, Industries Minister, Telangana

Telangana also has nearly 2.5 million bore wells and some 40,000 traditional tanks. The industrial policy earmarks 10 per cent of water from all existing and new irrigation sources for industrial use. This includes the Telangana Water Grid Project for ensuring drinking water to the entire state. Chief Minister Rao has staked his reputation on this project by going on record that he would not seek re-election if he did not deliver this project.

Rao’s government is, however, quiet about water allocation for farming or building irrigation infrastructure. Only a third of the farms in Telangana have secured irrigation. The rest depend on rainwater. Given the agrarian crisis and the unmet demand for irrigation, 56 per cent of the people in the state are forced to do casual work. Only a fourth of the state’s population is doing farming. Many of them depend on bore wells, which they say are drying up. Central Telangana is arid and groundwater levels are low.

“The government encouraged us to dig bore wells. The bore wells we dug cost us about ₹40,000, but we did not find water,” says Bhagyalakshmi of Vemulawada in Karimnagar district. “We could not irrigate our fields, crops failed and the result was more debt. My husband could not repay the debt and committed suicide.” She is now trying to get compensation for her husband’s death.

According to various estimates, both government and non-government, up to 40 per cent of tube wells in the region are defunct. Besides, there is not enough power to pump water. Although the govern-



People around the Uppal Industrial Cluster in the agricultural district of Rangareddy in Telangana complain that their water has become unfit for use because of industries

ment promised eight hours of uninterrupted power to farmers, electricity is available for only two-three hours, that too sporadically. Farmers say their bore wells have stopped working because of erratic power supply.

Telangana has been undergoing a power crisis since bifurcation. The distribution companies have to buy power at whatever rates available at the power exchange because the state did not reserve distribution lines ahead of the others. Telangana buys power at ₹8 or more per unit.

In this context, the policy's promise of 24x7 power to industry seems unviable. The policy promises "uninterrupted power supply to each industrial park". It states, "The government will also explore the possibility of creating a separate DISCOM exclusively for the industrial parks. Further, 'open access' power restrictions will be removed as far as possible to enable all types of industries... to access the power exchange."

Recently, the state had to seek the Central government's intervention to bail it out of a possible power crisis. Following severe power cuts, it advertised in newspapers that it wants to buy 500 MW of power immediately. Telangana complains it got less than 40 per cent of the power generation assets of the undivided Andhra Pradesh.

By 2018-19, the state's power demand would grow by over 50 per cent to reach 85 billion units, estimates a task force, headed by bureaucrat S K Joshi. The cur-

rent demand is 55 billion units. During the same period power generation is expected to decline to 44 billion units from 46 billion units. Rao admits that it would take more than three years to bridge the current deficit. Telangana has no specific plan to generate more power to sustain the desired industrial boom.

Experts and industry players want the state government to focus on solar power and encourage captive power generation to meet the demand in the short and medium term. Given the constraints of transmission and evacuation infrastructure in the state, K Raghu, coordinator of the Telangana Electricity Employees' Joint Action Committee, advises the government to add sizeable cost-effective solar power generation capacities at the earliest.

Telangana is also dangling before investors the promise of creating a bank of 0.8 million ha of land suitable for industrial use. According to the policy note, "Such lands would be transferred to the Telangana State Industrial Infrastructure Corporation (TSIIC). Once the land so identified is transferred to the TSIIC, the TSIIC will determine the suitability of each land parcel for setting up core sector specific Industrial Parks." It also assures of "Industrial Development on Private Lands and incentives including change in the land use pattern if required".

This will clash with the chief minister's electoral promise of giving land to economically and socially backward people. "Only 8,100 ha have been distrib-

uted so far. The farmers were told that there was no more land available. Where is the land coming from now?" asks S Asha Latha, state president of the Rythu Swarajya Vedika, which works for sustainable livelihood for agricultural communities in Telangana and Andhra Pradesh. About 58 per cent of the state's rural families are landless. Distributing government land was the central issue in the Telangana movement.

Old industry left to die

Questions are also being raised over earmarking fresh land for industry when vast tracts of land set aside for industrial use are lying unused. The erstwhile government of the undivided state had created special economic zones (SEZs). Of these 46,500 ha were allotted to the Telangana region, points out Syed Amin-Ul-Hasan Jafri, senior Majlis-e-Ittehad-ul Muslimeen leader and member of the Telangana Legislative Council. "They are all lying vacant. Why create a land bank when you have the existing SEZs?" he asks. "Since 1960s and '70s, we have had plenty of industries in the region. However, most of them are not functional now. We need to identify the cause for this and revive sick industries before attracting more entrepreneurs."

The condition of the existing industries in the state is no better than that of the agriculture sector. Rice mills, spinning mills and oil mills in various districts are deserted. A farmer working in a field near a defunct rice mill close to district headquarters in Warangal offers an explanation for this. "We had many mills in the region but the Andhra government ensured that they were shut down and industries were established in the Rayalseema and coastal Andhra regions," says Vijayan Venkat.

"We suffered for the past 10 years when the government of the composite state could not give us enough power. Add to this the global recession, and we saw many units becoming sick," says Sudhir Reddy of the Telangana Industrialists' Federation. However, a new state and a new government are not working to revive old industries.

J Seetharamulu, owner of Vijaya Mills near Warangal town, says people can shut down old mills and establish new ones. "The cost of restarting the old mill is not low. Besides, establishing a new mill means we get all the benefits from the government that were absent for the old mills." Reddy, however, thinks the cost of closure will be prohibitively high.

Activists doubt that industrialising the state will benefit local people. The state is setting up industries to generate employment but very few people have the required level of expertise, says Satya Srinivas, an environment and development activist in Hyderabad.

"One needs to evaluate the number of industries set up in the past to be able to plan a better future," adds G V Ramanjaneyulu, executive director of the Centre for Sustainable Agriculture.

Andhra follows suit

The industrial policy of Andhra Pradesh promises investors access to resources on a par with Telangana. It offers huge land bank, uninterrupted power, single-desk clearance to projects and specific desks that provide assistance to foreign investors, including hand-holding services in the form of local information and expertise and a comprehensive portal with business opportunity-related information.

Andhra's policy seems to have been formulated

POINT COUNTERPOINT



"The state does not have the skilled workforce required to meet the demand of the industries the government is keen on inviting. How will we create jobs?"

Satya Srinivas, Activist



"There will be a skill development centre which will train people in the region. The government will create database of the local population"

Jayesh Ranjan, Secretary, Information Technology, Telangana

with the slipping capital in mind—the capital city of Hyderabad and the economic capital that comes with it. Naidu is now eager to make up for the loss. He claims that within 10 months of assuming office, his government has cleared ₹2,100 crore towards industrial subsidies. This is almost twice the subsidies offered during 10 years from 2004 to 2014.

With such eagerness to lure industries, Andhra Pradesh too seems headed for a clash for resources. The industrial policy promises a consolidated land bank of 0.4 million ha. However, farming in Andhra Pradesh is still thriving. Agriculture in the state accounted for 23.1 per cent of the gross state domestic product (GSDP) in 2012-13, while the industrial sec-

tor contributed 21.5 per cent.

Most farmers in Andhra are not ready to part with their land. Fifty-five-year-old Jayamma Bathula of Guntur is one of them. "I make an annual income higher than the techies in the IT city of Hyderabad. I do not need industries; neither do the people in the region. The earth springs water when we dig mere three metres," she boasts. Jayamma used to cultivate turmeric, chilli, black gram and banana in a year. She then realised the market for flowers and ventured into floriculture. "Today, I earn ₹24 lakh per year. Who can provide such income if you convert this fertile land into a concrete jungle?"

However, the government has a completely contrasting view of the situation. "The world is changing

port. Demand in the state on August 2014 was 6,550 MW, while the shortfall was 1,940 MW.

Yet Naidu has been making claims of surplus power before investors. "We have turned our state from power-deficit to energy-secure," he recently told the media after meeting the chairperson of SoftBank.

The state's policy goes a step ahead and promises to reimburse ₹1 per unit of power purchased by industrial units for the first five years of commercial production. But the question remains: where will the power come from?

Water will be another challenge. According to the state's Industrial Water Allotment Policy released in December 2014, "Allocation of water will be made by the District Industries Promotion Committee headed by District Collector (DIPC and its successor entities) / State Investment Promotion Committee (SIPC and its successor entities) within 7 days from the date of filing application, as long as the same is within the 10% water quota reserved for industrial use. Based on the approval, the Irrigation department will release water promptly."

In undivided Andhra Pradesh only 0.55 per cent of water was made available to industries.

The policy also allows industry to use government reservoirs for storage of surplus water for industrial use. In the absence of reservoirs it assures industries land to construct reservoirs. In case of drought, the policy promises industries of prorated water allocation. The government will also promote desalination plants in coastal areas to meet the increasing water demand of various industrial nodes planned in the Vizag Chennai Industrial Corridor and the Bangalore Chennai Industrial Corridor.

"The government seems to be nodding along with industry's demand for desalination. Should this not be done by industries themselves?" asks Pragada of Samata. "Environmental impact of such rampant industrialisation will be massive. We have to ensure that preventive checks are well in place," he says.

This is even more crucial considering that Andhra Pradesh has a rich forest base. According to the 2014 data, the state had over 36,900 square kilometres of notified forest land, which is 22.7 per cent of its area. Forestry and logging are growing and becoming a significant contributor to the GSDP. Forestry's contribution to the GSDP increased by almost 17 per cent to ₹5,400 crore in the past one year. The policy does not mention potential damage to forest resources.

Lessons not learnt

Examples of damage done by unbridled industrial growth exist before the two states.

POINT COUNTERPOINT



"Where are the environmental checks for Polavaram Project or the power plant 50 km from Visakhapatnam that will submerge forests and destroy wetlands?"

Ravi Rebbapragada, Executive Director, Samata



"We ensure that no projects are approved unless in accordance with the environmental norms. Violators will be severely penalised"

Shamsher Singh Rawat, Industries Secretary, Andhra Pradesh

and we need industrialisation to develop. For industries we need resources, including land. In the current globalised world, we can always import food. We need industries to generate money to be able buy food," says S S Rawat, principal secretary of the industry and commerce department. The resources Rawat is talking about are thinly stretched.

Power, water and forest

Andhra is a power-deficit state but that has not stopped it from promising 24x7 electricity supply to industries. According to the state's Socio Economic Survey 2014-2015, Andhra meets about 65 per cent of its power requirement through purchase and im-



Take Jharkhand. In its 2012 industrial policy, the forest- and mineral-rich state announced sops such as creation of land bank of 80 ha to 200 ha in each district for industrial estates, earmarking 10 per cent of the land in industrial estates for townships and uninterrupted power supply to industries. The very next year, Indian State of Forest Report (ISFR), 2013, indicated that the “very dense forest” decreased by 3 sq km in the state and the “open forest” increased by 749 sq km, indicating a decline in the quality of forests.

In Chhattisgarh, too, rapid industrialisation resulted in the shrinking of forest cover. ISFR 2013 stated that the forest cover in the state declined by 53 sq km between 2011 and 2013. Development activities, mining and encroachment have been attributed as the reasons in the report.

Rampant industrialisation has not turned around the economic situation of these states or their people. In Jharkhand, the number of households with outstanding debt increased by nearly 9 per cent in 10 years, from 589,300 in 2003 to 646,400 in 2013, a period that coincides with the industrial growth.

Both Jharkhand and Chhattisgarh governments tabled deficits of ₹2,184.6 crore and ₹5,761 crore respectively for the financial year 2014-15, despite pursuing pro-industrial policies.

Employment to local people is not guaranteed either. In Jharkhand, where mining is the major indus-

try, only five per cent of the local people were employed in industry as of 2012, while 30 per cent of them had been displaced.

If such industrial models are emulated in the forest- and mineral-rich Telangana or the agriculturally fertile Andhra, the extent of damage to the natural and human resources will be great and irreversible. Both the governments need to rethink development: for whom and at what cost?

During the course of its travel to Telangana and Andhra, *Down To Earth* found that people are not even bothered about the industrial policy, but the lack of a proper agricultural policy.

Telangana has no policy to promote agriculture. “For the state predominantly dependent on agriculture, why come up with an industrial policy before thinking of an agricultural policy,” argues Burgula Narsing Rao, an eminent historian and one of oldest activists for separate Telangana. “There will be serious trouble in rural areas in the days to come,” he warns.

Andhra is guilty of similar neglect. “Has he (Naidu) considered first looking at the gold in his backyard before pecking at the copper from others’ backyards?” asks Koripalle Somaiah, a farmer in Karapa in the fertile East Godavari district. “The economy here can more than subsist on agriculture. Let him first work on developing it.” ■

With inputs from Srestha Banerjee

Farmers of Amaravathi in Guntur district take their banana harvest to market. Chandrababu Naidu plans to build a new capital and hub of industrial cluster in this region, which yields three to four crops in a year