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# The Impact of Special Economic Zones in India: A Caste Study of Polepally SEZ

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**The Impact of Special Economic Zones in India:  
A Caste Study of Polepally SEZ**

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## List of abbreviations

APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
BoA	Board of Approval
CAG	Comptroller and Auditor General
FDI	foreign direct investment
GIP	Green Industrial Park
IMF	International Monetary Fund
MOCI	Ministry of Commerce and Industry
NFE	net foreign exchange
SEZ	Special Economic Zone
SDF	Social Development Foundation

# 1. Introduction

Special Economic Zones (SEZs) can be compared to their predecessors, Free Trade Zones and Export Processing Zones, in that they are aimed at stimulating foreign direct investment (FDI) and rapid, export-led, industrial growth. The essential characteristic of such schemes is that they allow the by-passing of particular social legislation or tax provisions which are perceived to be an impediment to progress or the competitiveness of an export-oriented activity.

A brainchild of the Ministry of Commerce and Industry (MOCI), the SEZ Act that was passed in 2005 goes much further than previous policies as it seeks to establish a large number of private industrial townships, each covering hundreds or thousands of hectares of land. According to the MOCI, as of February 2010, formal approval has been accorded by states to 571 proposals out of which 348 SEZs have been notified. A total of 105 SEZs are already exporting. The 571 approved proposals are for SEZs sponsored by State governments and are in addition to seven Central Government SEZs and 12 State/private sector SEZs that were set up prior to the enactment of SEZ Act, 2005 (MOCI, 2010).<sup>1</sup> These 571 approved SEZs represent a total of 67680 hectares.

SEZs have shown a dramatic rate of growth with total exports of Rs. 996,890 million during the financial year 2008-09, a growth of 50% over the exports for the same period of the previous year. Exports in the first three quarters of the 2009-10 financial year registered a growth rate of about 127% over the corresponding period of the previous financial year (MOCI, 2010).<sup>2</sup>

## The controversy surrounding SEZs

Despite the huge rate of approval and establishment of SEZs, and thus their apparent success, the development of SEZs has faced considerable opposition and is stalling in some cases. This resistance has arisen because of various controversial aspects regarding the establishment of SEZs that will be discussed in more detail in the following section.

At the heart of the problem is the fact that the establishment of an SEZ generally requires the forced acquisition of land and the eviction of its previous users. This is possible for Indian states under the Land Acquisition Act of 1894 for “public purposes”. The invocation of “public purpose” for what are essentially private commercial ventures has been repeatedly questioned. In particular, the Comptroller and Auditor General (CAG) of India has investigated SEZs and suggested that far from being in the public interest, the net effect is a strong loss of revenue to the state because of foregone tax revenue.

Resistance to SEZs, however, has been most strong from the communities that are directly affected and from popular organisations. In state after state, plans for forcible land acquisition have met with concerted opposition from “below”, and in certain cases have been abandoned as a result. At this level, the controversy centres on the grave inadequacy of packages of compensation, resettlement and rehabilitation. While state authorities are required to compensate previous owners for the value of land and dwellings, such compensation, even if paid in full, is woefully inadequate to the loss of land and non-land assets, the loss of livelihood opportunities and the disruption to traditional rural life. Popular resistance to SEZs also contests the whole development model that replaces farming on fertile agricultural land with autonomous, private industrial enclaves that mostly just provide jobs for urban skilled and semi-skilled workers. SEZs are charged with being a sop to corporate, rather than popular interests.

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<sup>1</sup> Extensive information on SEZs can be found on the Ministry of Commerce and Industry's dedicated SEZ website <http://www.sezindia.nic.in/>, including regular statistical updates (<http://www.sezindia.nic.in/writereaddata/pdf/ListofFormalapprovals.pdf>).

<sup>2</sup> See also <http://blog.propertynice.com/reliance-jamnagar-unit-beats-the-heat-on-sezs/>



## 2. Polepally SEZ: Introduction to the case study

Polepally is situated on National Highway 7, about 96 km from Hyderabad, in Andhra Pradesh state. Along with the neighbouring village of Mudireddipally and the tribal hamlet of Gundlagadda Thanda, Polepally is the site of an SEZ project covering over 1000 acres.

Original plans for the site in 2002 concerned a “Growth Centre” designed to promote industrialisation in this rural area. In 2004, the project was renamed a “Green Industrial Park” and compulsory land acquisition began at pace under the Land Acquisition Act (Indian Realty News, 2008). The communities of Polepally and the neighbouring settlements Gundlagadda Thanda and Mudireddipally eventually lost 693, 300 and 150 acres respectively. In Polepally alone, 339 families lost land. In 2005, the Formulations SEZ was established and the land was allocated to a series of pharmaceutical firms engaged principally in the bulk manufacture of pharmaceutical products.

This study is the first of its kind in providing an empirical and quantitative assessment of the processes of land acquisition, compensation and rehabilitation in Polepally, and of the impacts of the Formulations SEZ on both the directly affected land users and the wider communities.

As a case study of a not un-typical SEZ, it is hoped that this study will help to highlight some of the real failures of compulsory land acquisitions for SEZs and other comparable developments such as mining in the Indian context.

### Methodology of the survey

The case study is based on a survey of 370 households that was carried out by SDF in close collaboration with the local community members. Interviews were completed by a consultant acting under the guidance of SDF and a prominent academic and member of the solidarity committee against Polepally SEZ. The survey was conducted between February and April 2010. Alongside the quantitative research, extensive personal histories were recorded. The sample of households was made to reflect both those that lost land and those that lost no land, but might otherwise have been indirectly affected (see below).

### Description of the survey sample

The sample for the study covered all three habitations of the affected area: Polepally village, Gundlagadda Thanda a Lambada tribal hamlet, and Mudireddipally village. Polepally and Gundlagadda Thanda are most affected compared to Mudireddipally. Respondents from Polepally (83.2%) and Gundlagadda Thanda (6.8%) together constitute 90% of the total sample (see Table 1).

Table 1: Distribution of respondents by habitation

Habitation	Respondents	%
Gundlagadda Thanda	25	7
Mudireddipally	37	10
Polepally	308	83
Total	370	100

Around two thirds (69.5%) of the respondents were males. Where male head of the family was not available during the survey, the spouse was interviewed. Otherwise, female respondents were female family heads.

### *Land ownership by respondents*

The sample included both households who have lost (some or all) land to the SEZ project and those who did not. Among those who did not lose land there are also households who were landless from the beginning (Table 3).

Table 3: Distribution of respondents in relation to land ownership and loss

Status of land	Respondents	%
Previous landowner that lost land to to SEZ (land loser)	208	56.22
Landowner with no loss to SEZ	150	40.54
Landless (from before SEZ)	12	3.24
Total	370	100

#### Social composition and education of respondents

The three habitations affected by the SEZ have diverse social composition. Polepally has a large number of Backward Castes (lower caste groups), Scheduled Castes (Dalit or “untouchables”) and Muslims, as well as some Schedules Tribes (Erukalas) and upper castes. Mudireddipally has predominantly Backward Castes and a few Scheduled Castes, while Gundlagadda Thanda has exclusively Lambada Schedules Tribe households. Backward Castes are numerically the predominant group in the study area. The distribution of respondents by caste is given in Table 2.

Table 2: Distribution of respondents by caste

Caste	Respondents	%
Backward Castes	191	52
Scheduled Castes	111	30
Schedules Tribes	30	8
Upper Castes	24	6
Muslim	14	4
Total	370	100

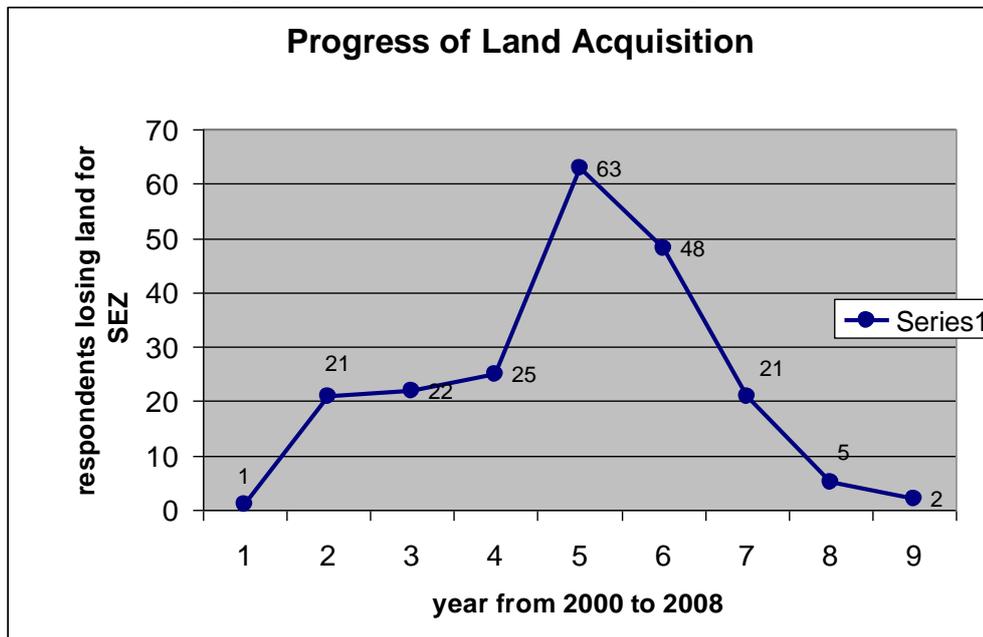
Most of the respondents of SEZ affected area had no literacy or schooling. 53.51% of survey respondents were illiterate and without formal schooling. Respondents with education were predominantly from the households that did not lose any land to the SEZ. There are few educated persons from the land-losers and landless households, and almost none from the Scheduled Caste and Lambada communities.

## 4. Eviction, compensation and rehabilitation

### The eviction process

Land acquisition for the Polepally SEZ started in 2001 and peaked in 2005. The momentum and intensity of land acquisition gathered with the change of government from Telugu Desam Party to Congress Party under the leadership of Dr Y S Rajashekara Reddy in May 2004. Figure 1 shows the trend of land acquisition process from 2001 onwards.

Figure 1: The progress of land acquisition in Polepally



The land acquisition had a disproportionate effect on vulnerable communities. Land losers and landless households are primarily scheduled castes, Muslims and backward castes, while the non-losers tend to be from open and backward castes.

Around 1150 acres were acquired for the SEZ from the three villages, Polepally, Gundlagadda Thanda and Mudireddipally. While farming households in Gundlagadda Thanda and Mudireddipally lost an estimated 300 and 150 acres respectively, documents made available to SDF from the offices of the local revenue officer reveal that in Polepally a total of 693 acres were acquired from 339 families. Of these, 160 families lost land that was allocated to them under the previous land reform programme of the government. Such lands are known as “assigned lands”. Under government rules, such land reform beneficiaries receive only token compensation (that is not even claimed to be the market price for the land in question) as the land is considered still to be owned by the government. The great majority of those who lost “assigned land” were from Scheduled Castes, Scheduled Tribes and Backward communities. The remaining 179 land-loser families lost “acquired land” (otherwise known as *patta* land) for which they held formal title. The caste background of these families is unclear, but they were mostly small and marginalised farmers. These families received compensation related (according to the governments estimations) to market value.

It seems evident that the authorities targeted those who belonged to vulnerable communities, probably for two main reasons. Firstly, to minimize any strong resistance to land acquisition, and secondly reduce compensation costs as the majority of the land losers had “assigned lands”, as beneficiaries of previous land reform programmes, and received lower compensation (as detailed in the following section).

The acquisition of “assigned lands” is even legally questionable. As one commentator has noted,

“The question is, how could the State first redistribute land to the landless under a full-fledged legislation and then take away the same land from the grantees? According to K Balagopal, lawyer and founder member of the AP Human Rights Forum, transfers of land assigned to the poor are actually illegal under the Act 9. But, in December 2006, the Congress-led government brought in a controversial amendment that allowed it to reclaim land that had been ‘alienated’ (when land assigned has been sold off or is no longer being used) for ‘public purposes’.” (Asher, 2008).

However, according to the residents of the affected villages, the land was far from being “alienated”. It was being cultivated by the original beneficiary families.

The procedures followed by the authorities were also highly questionable in many regards, particularly in terms of failures to implement proper notification and consultation and to achieve prior informed consent. There is no record of *Gram Sabha* (village assembly) procedures having been followed.

To give one example of how procedures were followed on paper by not in practice, the government needs to publish well in advance the process of acquisition and notice to the people. The collector’s office approved denotification of the lands under sections 4(1) LA act through programme no GI/64/2003 dated 17.01.2003 and finally it was published in A Gazette Part-1 Extraordinary MBNR No 1 on 18<sup>th</sup> January 2003. Interestingly, the authorities claim that this notice has been published in two daily newspapers called, *Vaaritha* and *Pledge* on January 29<sup>th</sup>, 2003. It is well known fact that nobody knows a daily like *Pledge* in Andhra Pradesh. Even if it exists on paper, there is no use of publishing a notice in it when those affected are illiterate. *Vaaritha* itself is not the most well-known paper of the town.

According to the government documents made available to SDF, “notices u/sec 9(1), 9(3) and 10 of LA Act has been issued and published in the village on 29.11.2004 and was also served to the *Pattedars* [land title holders]. The award inquiry conducted on 27.12.2004 and concluded on 25.01.2005 and the statement of the people have recorded and kept in office file and no objection received from any other persons and *pattedars*.” The documents further state that, “Meetings/*Gram Sabhas* have been convened to explain the land acquisition process and to convince the *pattedars* about the benefits involved to receive the compensation on consent basis.”

This official account is completely contradicted by the testimony of the affected people who speak rather of intimidation and misinformation about the nature of the proposed development. In the survey, respondents who lost land were asked if they were consulted on the decision to acquire their land for the SEZ and also on whether they “had any choice in the matter” relating to the land acquisition. All 208 responded negatively to both questions. In fact, all affected families were effectively merely informed that the acquisition would take place and that they had no choice.

Respondents claimed that evictions were carried out in a coercive manner with little consideration of the negative impacts on the affected. It is claimed that in some cases, trees were felled and crops destroyed so that the villagers would provide less resistance to the land acquisition. More than half the respondents (55 %) stated that they were given no notice of eviction but had to leave immediately; 37 % of the respondents stated that they were given one to three weeks notice to vacate the lands.

## Compensation and rehabilitation

There seems to have been no clearly stated rehabilitation and resettlement policy. Instead, early statements of policy seemed to have been full of rosy promises with a view to attaining the consent of villagers. Respondents described how they were told initially that their lands would be acquired for a "Green Park", from which they would be able to continue to earn a living. Local authorities and politicians described the "Green Park" as a farm-based activity in the SEZ which would not snatch away their land-based livelihoods. Although they would have to forego ownership of the land, they would be allowed to work as wage labourers in orchards or a farm research station that the proposed SEZ was supposed to represent. They said that they were also told that a housing colony would be constructed, and that the acquisition of land would commence only after relocation of the affected families to the new colony. They were promised fair compensation for their lands.

In reality, the rehabilitation policy adopted in Polepally SEZ was ad-hoc and evolved gradually in response to the resistance and pressures of opposition parties criticizing the state policy. It has four stated components:

- Compensation for the lands acquired.
- Housing colony for the affected households.
- Jobs for the eligible members from the affected families.
- Village development fund for infrastructure building.

### *Compensation*

Compensation has been for the loss of land, not for the loss of livelihoods. Families have thus been viewed as "affected" only in relation to land. This excludes the landless and also those families which derive livelihoods from the *jajmani* system. It also excluded those who are making a living by offering services to the affected families- like those who earn a living by running a grocery or some other shop which has now reduced incomes.

Compensation for lands acquired was not based on the value of the incomes accrued from the lands but on the legal status of the lands. A large proportion of the acquired land was classed as *gairan* or "assigned land", having been redistributed to land-poor households among the scheduled castes and scheduled tribes under the land reform policy. These assigned lands, irrespective of the quality of the soil, the crops cultivated, or the infrastructure in place such as irrigation equipment, were priced uniformly at Rs. 18,000 per acre.

The remaining land was under regular formal ownership and is referred to as "patta lands". These lands were valued according to use and proximity to the national highway. Compensation thus varied from Rs. 50,000 to Rs. 180,000 per acre. These lands mainly belonged to backward castes from Polepally and Mudireddypally villages. Both assigned lands and patta lands form one contiguous block from the National highway to the village.

Lands belonging to upper castes, orchards, and a temple in the Polepally village were exempted from land acquisition. The selection of land was criticized by respondents for being discriminatory on caste lines. Similarly, the compensation package is criticized for favouring non-dalits and non-tribals, and for paying least to those most in need.

Of those who lost land, 31% received less than Rs. 50,000 compensation in total, and a further 29% received between Rs. 50,000 and Rs. 100,000. 32% received over Rs. 100,000 with seven landowners (3.4%) receiving more than Rs. 1 million. A small section of land losers (7.69 %) claimed not to have received any amount yet or to have been rejected for any compensation.

Compensation amounts received by the affected families have been small and in instalments. Besides, there are complaints of corruption by local authorities and politicians, specifically that they withheld up to half the compensation amounts for assigned lands. Compensation for lost Patta lands was also allegedly subject to varying rates of cuts by local officials.

### *Resettlement*

Despite the eviction process going ahead, peaking in 2004 and 2005, the promised housing colony has not yet been constructed. April 11, 2010, an area of 26.83 acres had been demarcated with a plot of 200 sq yards plot for each house site. The roads had been laid but no construction had taken place. One respondent raised critical objections to the housing colony plans, in particular that the land selected is too low-lying and unsuitable for housing and that the land will remain in the name of the company, preventing families from mortgaging or selling it.

The delayed progress of the housing colony has forced some of the affected families to repair existing houses, while some households have invested in the construction of a new house in the village outside of the SEZ area. Expenditure on housing needs by the affected families is an additional burden that could have been avoided if the housing scheme had been constructed on time and as promised. This expenditure is a big drain on the already impoverished families.

#### *Provision of alternative employment*

With the exception of two respondents, no members of the affected families have been provided with any vocational training so that they could be engaged in the SEZ on a regular and on going basis. Many members of these families did work as daily wage labourers during the construction of the pharmaceutical units. However, respondents stated that after the granite compound walls were constructed, men from affected families were refused further entry into the pharma units. Some of their women get daily wage work as gardeners or sweepers or as janitors. They are paid Rs 100 per day. According to several respondents, if they are absent for a day for attending any domestic work or fall sick, they have to face rude comments and also lose chance of getting the work for the next few days. Six male members from the affected families are employed in semi-skilled jobs on a regular basis. They are from Reddy and Goud castes (open caste and backward caste, respectively). One of the respondents stated, "There was work as construction labour in beginning. Why did we rush to complete that work? We regret it now. We didn't know that we would be homeless once we built the nest."

#### *Village development fund*

Promises of a village development fund have so far been only on paper. The amount has not yet been released to the Polepally Gram Panchayat. The village development fund is meant to be used to improve drinking water facilities, for renovation of the village temples in Polepally and Mudireddipally, and for the laying of roads. A total amount of Rs. 12.8 million was promised for village development.

### **The Utilisation of compensation amounts**

For landowners with little land, or for the Lambadas and dalits with assigned lands, the compensation amounts were so small as to make productive utilization difficult. Those who had patta lands and received more compensation could often make use of it for productive purposes. However, even those who were able to invest in buying a house site, building a house, or purchasing farmland, were subjected to a severe loss. This was because land values in the village after the SEZ were far higher than the value officials paid to land losers.

According to respondents, compensation payments were used in five main ways:

- Asset purchase
- Honoring social obligations before situation becomes worse; marriage of a daughter or son
- Clearance of loans and debts
- Health needs & medicare
- Daily needs of running the house

Around one third of the land loser respondents (30%) utilized compensation payments to clear loans which the families had since some time or had incurred due to prolonged unemployment following the loss of land. Families that had become totally landless after land acquisition under the

SEZ found themselves under greater pressures from money lenders than those who had a piece of land outside the SEZ area.

Housing was another area of immediate need, with 15% of land loser respondents mentioning this as the predominant use of compensation. Purchasing land was mentioned as the primary destination of compensation for only 9% of those who lost land. A much greater proportion of compensation (21%) went to cover various forms of consumption such as daily needs, medical care and marriage costs. The remaining respondents mentioned a range of other uses, or were unable to name one use as the predominant one.

The use of compensation by respondents is illustrative of the economic distressed situations of affected households. They were able to invest little productively for the future but found themselves forced to settle debts or to cover ongoing expenses in a situation of unemployment. Families suffering the death of the head of the family were under high pressure to perform the marriage of the grown up daughters. Health disorders were also common among the affected population and were severe in some cases, requiring hospitalization and regular treatment of the problem which the affected households could ill afford. Overall, the study reveals compensation amounts that were so low that they could not arrest severe immigration among the affected households.

## 5. Impacts

The forced acquisition of land for the Polepally SEZ had impacts not only among those households that lost land, but also among the wider community. Impacts also went beyond the mere loss of land area, with the local economy being affected various ways. Impacts, furthermore, were not only economic, but also social and environmental, and with knock-on effects on food security and overall health.

### Economic impacts

Losing land to the SEZ project has significantly reduced the farmland in the affected villages and also brought with it severe pressures on employment, livelihoods and food security for the villagers. While some of the land losers have become farmers with smaller land holdings many have become landless. The conversion of farmland for non-farm uses has also reduced farm labour opportunities for the people who had no non-farm skills. The SEZ has caused fragmentation of land holding in the villages as the land losers have been forced to buy small pieces of land from neighbours. It forced change in favour of occupational shifts, indebtedness, and migration. The inability of some to adapt has apparently led to increases in ill health and deaths, including suicides.

Those who lost land have adopted different approaches to ensure food security and survival depending on their assets, family size and community support. Some have purchased small a few acres from other castes in the village if they had some money or were able to raise loans. Some Lambada households have been able to buy some plot of land from the villagers so that basic survival is not threatened. They bought land at prices far higher than the amount they received for the land acquired for the SEZ. Some of the Lambada families are cultivating land belonging to Polepally on sharing basis where the landowner and the cultivator get equal share in the yield. Several families have one or more members of the family forced to migrate to engage in unskilled jobs in the towns and cities.

Last five years have seen several new changes as well as the intensification of changes already under-way prior to the SEZ. Life in the affected villages has been altered radically. The vulnerable sections of the communities have been subjected to rapid marginalization, making life miserable for many. The SEZ dispossessed the affected households both directly and indirectly. While land resources were directly taken away for the SEZ, families saw other assets that remained in their possession, like cattle and farm implements, lose all their value. The following sections detail the extent of these varied economic impacts.

#### *Loss of farmland*

The SEZ has caused landlessness among a large section of the households in the affected villages, especially in Polepally and Gundlagadda Thanda. Of 370 respondents, 358 were farmers before the SEZ. By 2010 this quota had fallen to 192. Land holdings have also become smaller due to SEZ land acquisition. The reduced size of many land holdings has made farming less cost effective. The drastic reduction in the local availability of farmland is also reflected in the decline of leasing. Tenant farmers in the sample have fallen from 9 to 6%.

#### *Loss of wells and bore wells*

Land acquisition also meant losing wells and borewells in the lands acquired. Part of the land lost to SEZ was irrigated using wells. Forty six respondents had 55 wells altogether which had assured irrigation. The land irrigated under wells was 97 acres. In total, thirty nine respondents lost wells in the lands taken over by the SEZ.

A larger number of respondents lost bore wells. There were 216 bore wells owned by 188 respondents before SEZ. Each bore well costs about Rs 60,000 to Rs 90,000 for varying depths towards drilling, casing, and the motor. Besides, one has to try more than once to strike water.

Thus the cost of a functional bore well can be estimated at around Rs 100,000. Despite heavy costs and risks of failing the farmers try several times because it assures one crop at least and also helps achieve three crops if the water yield is good. Altogether 42 respondents have lost 53 bore wells due to the SEZ. Of them, 32 had one bore well each followed by nine who had two bore wells each.

#### *Loss of livestock*

Livestock is an important source of livelihood for the villagers. The loss of lands by hundreds of farmers has made it difficult to continue keeping livestock as there was shortage of fodder, a loss of suitable places for cattle sheds, and loss of purpose to keep draft animals (for and overview of livestock losses, see Table 6). While two thirds (66%) of all respondents owned cows before SEZ, this has been reduced to one-fifth (21%) of the respondents. The respondents were forced to dispose off the cows for distress price. Scarcity of fodder, loss of land and pressures of money lenders to clear the loans were major reasons for selling the cattle. Some had to sell the cows to meet household needs, or construction of a house. Two respondents informed of cows dying due to drinking polluted water.

A similar picture is revealed as regards other livestock. Goats and sheep are vital to the households who rear them in large numbers. Golla and Kurma castes are traditional goat and sheep rearers. Several others also rear goats and sheep as they are great source of revenue and provide good returns in the short term. Land displacement has also severely affected goat and sheep rearing. The number of respondents rearing goats has declined from 72 respondents to 27, while sheep rearing families have declined from 67 to 23. A major decline is seen among respondents with 1 to 25 sheep for whom it is supplementary source of income. They seem to be more hard pressed to look after sheep than those with larger stock where it is the primary occupation.

The number of respondents owning oxen has fallen from 61% to 30%, while the number of respondents owning buffaloes has fallen from 28 to 6.

Keeping livestock has become impractical for many due to severe shortage of fodder and loss of grazing lands. Polluted water also is reported to have taken toll of a few cattle, goats and sheep. The pressure for one or more family members to seek employment outside the village has also made it difficult for many affected families to keep livestock. The remaining members could not pay attention to the livestock which now requires going for long distances for grazing. The loss of incomes from livestock has not been compensated by the government or SEZ authorities.

#### *Loss of trees*

Villagers had a variety of trees in the lands that were occupied by the SEZ. Trees provided incomes and food or fruit for the owners, as well as for landless households. Besides, trees are essential for fodder and organic manure. Trees also provide construction materials for housing and have a role in the ritual and belief system of the villagers where for different festivals and *pujas* specific fruits and leaves are offered. Trees also provide ingredients for medicinal preparations. Every tree has multiple functions and they are important part of rural life.

More than half the respondents (56%) who lost land have also lost trees of significance. A total of 1585 trees were lost by respondents. The loss of trees among the respondents varied by their caste. Scheduled Caste and Backward Caste respondents were the major losers. They constitute 35% and 32% respectively of those who lost trees. Open Caste respondents lost none (Table 7). Scheduled Castes are adversely affected as the tree wealth was a significant support base for them, given their low level of cash savings and land ownership.

Construction work within the SEZ became a major source of labour locally, but only during the early phase of construction. SEZ managers discriminated against those who took part in the

resistance and protest agitation and preferred outside labour who are not concerned with the problems of displacement. Some women from Polepally and Gundlagadda Thanda get daily wage work as as gardeners, sweepers or as janitors.

Long periods of unemployment in some cases led to severe poverty, high indebtedness and the sale of all available assets. Unemployment and poverty has been most intense among those who continued to stick to land-based livelihoods.

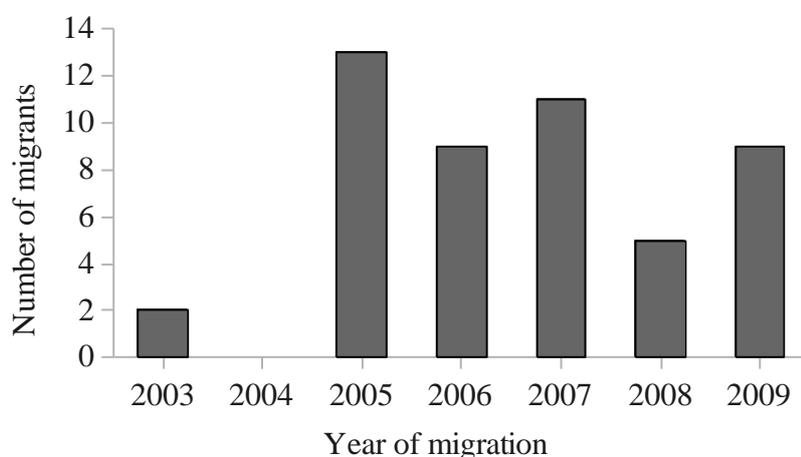
Although little effort was made in Polepally to offer alternative employment to affected families, some relief has been provided by the National Rural Employment Guarantee Act (NREGA) which was passed in 2005. The NREGA is a national job guarantee scheme that aims to provide the rural poor with a minimum of 100 days employment when none other is available. NREGA work is eagerly sought in the villages, but unfortunately the programme is unable to keep up with the demand for work in the village following the land acquisition. Less than 3% of respondents received NREGA employment of more than 100 days. 26% received 31 to 100 days of employment and 15% of respondents were employed for less than 30 days. Half of the respondents have an NREGA card and are entitled to claim employment if they need it, though only 42% availed of any work during last year.

### *Migration*

Loss of livelihoods within the village and growing interaction with labour contractors as well as information and assistance from the colleagues who have migrated outside has been leading to more people seeking labour outside. Altogether 51 villagers belong to the respondents' families have migrated out of the village. Migration has been largely due to the loss of livelihoods caused by displacement due to SEZ. The rate of migration was very low between 1992 and 2004 (4 individuals in total, 2 in 1992 and 2 in 2003). It then jumped to 13 individuals in 2005, with a yearly average of 8.5 in 2006-2009.

More than two thirds (71%) of the migrants have stayed within the state. Hyderabad remains the single largest destination, accounting for 67% of migrants from the affected villages. Four out of five migrants (86%) work as construction labourers, masons and railway track gang men. The rest of them work as semi-skilled employees in shops and establishments.

Figure 2: Frequency of migration from Polepally among respondent families



### *Child labour*

Some households facing a severe fall in incomes and long periods of unemployment had their children dropping out of school. A significant number of respondents observed that children are affected by the domestic problems, especially unemployment and poverty. Asked what their major concerns were with regard to children in the current situation, 14% of respondents mentioned that children are required to do wage work, while 15% raised the issue of children being required to migrate.

### **Food security**

Household food security has been altered drastically among the affected households in Polepally and Gundlagadda Thanda. Dependence on food grains procured from market has increased significantly. They are compelled to buy most of their food needs from the market which requires cash incomes which are not available adequately to most of the respondents. Acute short-term shortages are a particular problem.

Respondents were asked, according to a number of measures, how their food security now compared to how it was before the SEZ. The results are summarised in Table 8. They clearly depict a situation of worsening household food security, with 85% of 370 respondents (i.e. including those who did not own land) reporting that the ability of farm produce to meet family needs had declined, and 89% reporting a general worsening of food availability after the SEZ. An increase in the problem of short-term shortages was reported by 79%, while 89% said that the purchase of food grains from private shops and Public Distribution System (PDS) ration stores had increased, and 77% reported an increase in the practice of borrowing grains from neighbours.

Table 8: Changes in household food security in the affected villages

Food security indicator	Respondents' assessment (%)			
	Declined	Increased	No change	No response
Household farm produce meeting family's food needs	85	1	8	6
Availability of food compared to pre-SEZ years	89	1	8	2
Short-term food scarcities	8	79	10	3
Procurement of food grains from PDS/shops	1	89	7	3
Borrowing food grains from neighbours	3	77	16	4

A particular area of concern has become the quality and quantity of food available to women and children who are often the most hard hit by household food insecurity. In particular, 38% of respondents expressed the concern that children do not receive sufficient food at the present time.

### Environmental impacts

Pollution has become a new problem in these villages. Drinking water through hand pumps has become non-potable in all the habitations. While households in Gundlagadda Thanda are hard hit by the pollution, some households in Polepally and Mudireddipally are now forced to consume mineral water supplied by some traders from Jadcherla. Water pollution has also apparently led to the deaths of a number of livestock and is widely attributed to the construction of the SEZ.

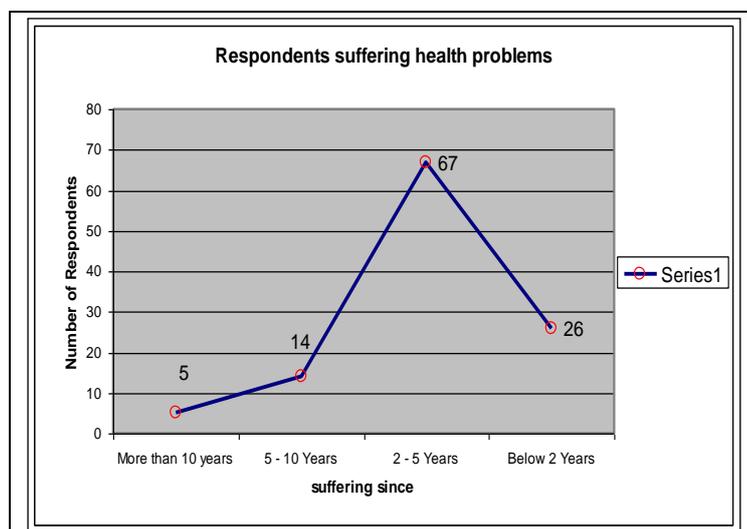
### Impact on health

Inhabitants of the affected villages have been subjected to pressures of emotional disturbance and impoverishment which has had a severe impact on their health. Besides morbidity in the years following land acquisition for the SEZ, there was both a high incidence of mortality, including suicides, and an increased incidence in reported chronic and acute illness.

#### Illness

One third of the respondents (30%) reported of at least one members of their family suffering recurring illness or serious ailment in the past years. Respondents were asked whether ailments had first appeared in the last two years (2009 – 2010), 2 to 5 years ago (2005 – 2008), 5 to 10 years ago (2000 – 2004), or before 2000. The results are illustrated in Figure 3.

Figure 3: First appearance of health problems among respondents



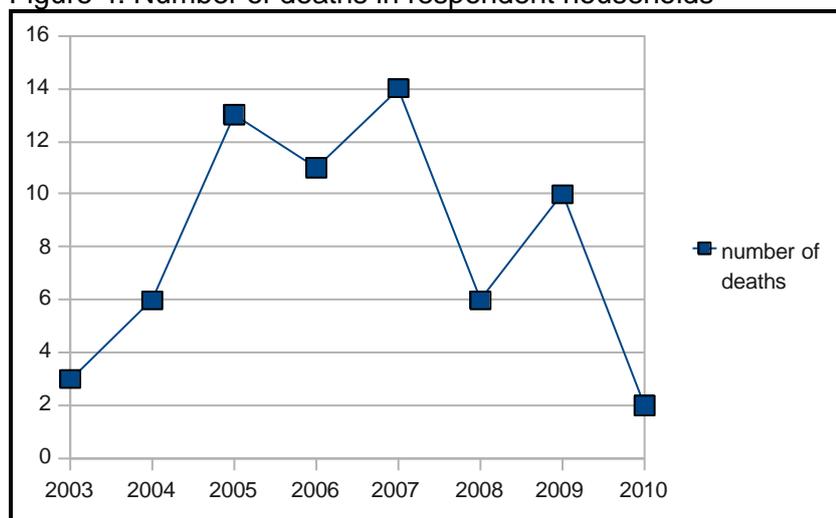
It can be seen from Figure 3 that there was a sharp rise in the reported appearance of illnesses that coincides with the period 2005 to 2008 immediately following the main wave of evictions. 60% of reported illnesses appeared during this time. The incidence of health problems appears to have declined more recently, those is still high in comparison with reported levels before the SEZ.

A large number of the reported illnesses are “mild” chronic disorders such as migraines, sleeplessness, chest and body pains, that may be psychosomatic and stress-related. Others are more severe. All of the reported illnesses can be a major drain on the affected families because they drain a portion of scarce earnings into health care while also reducing their ability to work and earn a living. Some affected individuals perceive themselves to have become a burden to their family.

*Increased mortality*

Respondents were asked to reports deaths within their household, and the year in which the death occurred. In total, 65 deaths are reported to have occurred since 2003. As can be seen in Figure 4, the frequency of deaths peaks in the period 2005 to 2007, the period immediately following the main wave of SEZ evictions.

Figure 4: Number of deaths in respondent households



Forty two of these 65 deaths were attributed by respondents to the shock and psychological impacts of the SEZ land acquisition. As detailed in Table 9, the proximate cause of most was reported to be a heart attack or stroke, while 6 were simply attributed to some kind of depression. There were 5 suicides.

Table 9: Causes of death in SEZ affected villages

Reported cause of death	Incidence	Attributed by respondents to SEZ
Suicide	5	Yes
Heart attack/ stroke	31	Yes
Depression/ sadness on losing the land	6	Yes
Cancer/ brain fever/ blindness/ fits/ stomach ache	5	No
Accident	18	No

Gundlagadda Thanda has almost become the village of widows with 27 deaths in the hamlet that has less than sixty families. Young and old male members have died in the hamlet due to loss of hope of supporting their families. Respondents blamed the deaths on the fear of being unable to feed their children, on harassment by the authorities and police, and on the loss of self respect due

to pressures of money lenders for repayment of loans. The deaths in Polepally and Gundlagadda Thanda attracted the attention of the media which gave descriptions of the circumstances of some of them (see Reddy, 2008).

## **Social Impacts**

### *Impacts on women*

Women have complained of having to face strain and friction at home. Poverty, indebtedness and unemployment has forced women to undertake more work and struggle hard for making ends meet. Women in Gundlagadd Thanda, where 27 men died, now have more women-headed families. These women are under great pressures to support their families and play the new role of financial manager of the house. There is also reported to be increased violence against women due to growing frustration **with how affected households have been treated.** 34% of respondents expressed the concern that pressures on women to ensure food needs at home are met have increased, while 43% mentioned, as a concern about the status of women, that “Disturbance and disharmony in the family” has increased.

### *Breakdown of collective life*

The SEZ has introduced new sources of friction into the communities and has eroded collective systems of community life. The village is suffering from more divisions due to politics played by caste representatives and politicians. While several political parties have made attempts to woo the affected villagers during the elections to Assembly and Parliament, traditional leaders have come under increased pressure from politicians to compete in pleasing the SEZ managers. Traditional respect for the community leaders has been eroded significantly as the integrity and honesty of these elders with regard to their relationship with the SEZ managers has come under suspicion. Many feel that they have been abandoned by their own people who have allegedly accepted bribes from the SEZ managers to quell the resistance from within. There has thus been a collapse of collective leadership in the affected villages with regard to the SEZ issue.

## 6. Community resistance in Polepally

While the Formulations SEZ is, in many ways typical for the many SEZs that have been established throughout India, the case is notable for the level of resistance to the scheme that developed among the affected communities. The story of this resistance is not the main focus of the research presented here, yet it is necessary to summarise this history of resistance as it is important context for understanding some of the impacts of the SEZ scheme on the affected communities.

Plans for the land acquisition met with early resistance, as one author notes:

“The farmers were against the SEZ from the beginning. In 2003, they blocked the Hyderabad-Bangalore national highway in protest against land acquisition. The next year, they staged a demonstration before the state Legislative Assembly. A Polepally SEZ Vyathireka Aikya Sanghatana (Alliance against Polepally SEZ) was formed and the struggle continued” (Reddy, 2009).

Despite various forms of peaceful protest, the activists were able to do little to stop the process of evictions during the main period of land acquisition in 2004 – 2005, or to ensure that compensation and rehabilitation was better than it was. However, the protests moved to a new level in 2008 when Polepally SEZ Vyathireka Aikya Sanghatana decided to contest State Assembly elections, putting up 13 candidates. The objective was to record a protest against SEZ policy.

The contestants faced considerable harassment. Farmers who contested were denied of permission for using microphones and holding public meetings. In the most notable incident, the contestants were arrested by the police on the day that the state Chief Minister was visiting to Mahaboobnagar district for his party’s campaign. They were released in the evening. The election campaign of the thirteen attracted notable media interest.

The elections were followed by a large sit-in protest in the SEZ which attracted 140 organizations to come and visit Polepally. Representatives of the major political parties came and expressed their solidarity, as did many people’s organizations. This was followed by the South India SEZ meeting held at Chennai, at which the Polepally committee participated and met several groups who were fighting against SEZs. In similar ways, Polepally activists continued to publicise the abuses conducted in Polepally and to highlight the failings of SEZ policy nationally.<sup>3</sup>

In April 2009, 15 villagers predominantly belonging to different Dalit and other marginalized communities contested the Lok Sabha election (for lower house of Indian Parliament) as a mark of protest against the existing political parties and their policies in relations to corporate interests and SEZs.

Resistance by the marginalised communities in Polepally has thus been significant in bringing the example of the SEZ in Polepally to state-wide, national, and even international attention. Though not without considerable cost to the individuals involved who have faced harassment and discrimination from the authorities and SEZ employers.

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<sup>3</sup> Extensive information on the ongoing civil society campaign on Polepally SEZ can be found at: <http://polepally.wordpress.com/>

## 7. Conclusions

This study as provided a brief overview of the controversies surrounding SEZs at the national level, but its main contribution is to provide an in-depth view of the history and impacts of one SEZ, the “Formulations SEZ” in Polepally, Andhra Pradesh. The aim in doing so has been to go beyond the rhetoric that surrounds the issue and to examine realities on the ground in a way that can only be done through a focused case study. To this end, this report described the process of land acquisition in Polepally, including issues of consultation, consent and compensation, before setting out the results of a detailed survey on the impacts of the land acquisition on affected households. This quantitative description is supplemented by a few selected case histories of individuals affected by the acquisition, and who took part in the resistance. The case of Polepally is not untypical. If it stands out, it is because it is one of the cases where local opposition to land acquisition has achieved wider recognition. Though no two SEZs are the same, the case of one like Polepally serves to critique any generalisations made in defence of SEZs, that disruption is minimal, compensation adequate, or that they bring net benefits of employment and new opportunities to local communities.

### *Land acquisition by forced eviction*

The land acquisition process in Polepally, Mudireddipally and Gundlagadda Thanda did not meet norms of prior, informed consent. Information provided to the communities was scarce and misleading. Those whose land was to be acquired were told that a growth centre and then a “Green Park” were coming, and were led to believe that these constituted some kind of agricultural initiative in which they would readily find employment. The local revenue administration and local political representatives are accused of using coercive tactics, including consistent threats that compensation amounts would be reduced if the land were not transferred to the APIIC. The persistent protests by affected people on the one hand, and the use of police force and attempts to bribe and divide the community, on the other, are clear evidence that the acquisition was carried out without meaningful, informed consent.

### *Land reform in reverse*

Of 700 acres acquired in Polepally, nearly 300 acres were ceiling lands assigned to Dalits, Tribals and Backward Castes during the regime of Indira Gandhi. The State government initiated use of its power to reacquire “alienated” assigned lands under an amendment made in 2006 to the A.P Assigned Lands (Prohibition of Transfers) Act, 1977. But in this particular case none of the lands were alienated. All the assigned lands were cultivated by the beneficiary households and in fact they formed the prime source of livelihood for these poor farmers. The acquisition of these lands must thus be regarded as illegal.

### *Corruption and discrimination in the provision of compensation*

Land losers received varying rates of compensation. While those with regular title received between Rs. 50,000 and Rs. 180,000 per acre, the people who lost assigned lands were given only Rs. 18,000 per acre. The authorities are accused of deliberately preferring assigned lands as less compensation has, legally, to be paid for it, and because they thought the marginalised groups who depend on it would be less capable of effective opposition. Many of the affected people say that they never received the full amount of compensation, because of widespread corruption and pocketing of funds by officials. Promised resettlement housing is, to date, far from completion and of dubious value, while a promised Village Development Fund has not been forthcoming.

### *Economic and food security impacts*

The farming families that lost land also lost valuable assets such as wells, bore wells, cattlesheds and trees that were not accounted for in the compensation. The loss of land as also rendered

assets such as bullock carts obsolete and lead to a dramatic reduction in the keeping of livestock in the affected communities. Respondents to the survey reported distressed sales of moveable assets like carts and livestock, while it became hard to buy any replacement land in the area. The direct disruption of livelihoods has been immense, not only among those who were directly dependent on the land but among those provided services in the communities. The SEZ provided some alternative employment in the form of construction labour, but at wages of Rs. 100 a day, and under often casual conditions. Management tended to discriminate against those who were involved in protests, in the end favouring only younger women. Employment was short-lived for all but a very few. Some men migrated after the land acquisition; otherwise the economic situation of many affected families remains precarious. The survey reported significant deterioration after the land acquisition of food security indicators such as household food self-sufficiency, the occurrence of short-term food scarcities, the use of ration shops, and the borrowing of grain from neighbours.

### *Environmental, social and health impacts*

Despite the fact that the SEZ is devoted to the production of pharmaceuticals, there was no public hearing on the environmental impacts of the project and no information made available about the clearance for the project. Since construction began, water sources in Polepally have apparently become unsafe to drink and respondents reported the death of some numbers of livestock due to polluted water. These affects are attributed to the SEZ. The land acquisition has also had grave social and health impacts. Respondents report that the communities have become increasingly divided, particularly on caste lines. The loss of land has had severe social impacts on marginalised Dalit and Tribal groups, and particularly women, due to the accompanying loss of status. Chronic health problems have increased, as have rates of mortality, with 42 deaths among respondent families seen as “distress related” and attributed by them to the impact of the land acquisition, among them 5 suicides. So far no inquiries have been made into these unprecedented deaths.

### **Learning from Polepally SEZ**

The case of the Polepally SEZ contains lessons for the Indian context, and indeed for global debates on commercial pressures on land. An effect of increasing commercial pressures on land, in whatever context, is often that the state acts as an agent to facilitate the acquisition of land resources by private or state-backed enterprises. Such acquisitions are often justified in the name of economic development, and accompanied by the claim that they will benefit local communities through the creation of jobs, amenities, and so on. They may be claimed to involve only “idle” (or in the case of Polepally “alienated”) lands. It may be claimed that the land acquisition process is consensual, and compensation and rehabilitation adequate.

The case of Polepally stands as a warning against taking such claims at face value. It illustrates how an acquisition process that appears defensible on paper can go wrong in practice, particularly through corrupt and discriminatory practices at the local level. It shows how prescribed compensation for the loss of land can be woefully inadequate to the negative economic, social, environmental and health impacts that the loss of land creates.

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