

# **Does IA meet Stakeholder Expectation: Case Study of POSCO Project in Odisha<sup>1</sup>**

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## **Abstract**

The USD 12 billion proposal for POSCO's steel project in Odisha, India was a big deal – the proposed investment was significant on all counts. However, 12 years later, the project could not materialize and in 2017 POSCO withdrew after a lot of controversies. It was a classic example of a lose-lose scenario. A lot has been written on who lost how much. This paper tries to understand on how the impact assessment exercises failed to understand these complexities. Using the single case study method, the paper analysed various dimensions of cost benefit analysis (CBA) and environmental impact assessment (EIA) undertaken. It was found that reputed agencies undertook the CBA and EIA, but they did not notice the complex livelihood systems of the area. Stakeholders consultations were not done wholeheartedly – the public hearing was criticized by a number of actors. None of the reports indicated the well-known political activism prevailing there. Questions have also been raised on the legitimacy and authenticity of the claims made in these impact assessment exercises. Does it mean that impact assessment tools and techniques are not adequate for understanding such complex phenomena? Should exercises like EIA and CBA be oblivious to things that are detrimental for the project in particular and the society in general? The paper suggests that impact assessment exercises should not be carried out in isolation to the society in which the project is embedded in.

## **Full paper**

### **1. Background:**

In 2005, the Government of Odisha, a state located in the eastern part of India, had a memorandum of understanding (MoU) with the Asian steel giant POSCO to build a USD 12 billion steel project (Fig 1 shows the location). It was slated to be the highest foreign direct investment (FDI) in India's history. However, 12 years later, the project could not materialize and POSCO withdrew after several controversies. A lot has been written on the process of this failed initiative in which all the parties involved lost substantial amount of resources. Much of the writings have been on the political dimensions but the role of impact assessment (IA) has not been discussed adequately. It is surprising to note that the exercises failed to foresee the obstacles that led to the fiasco.

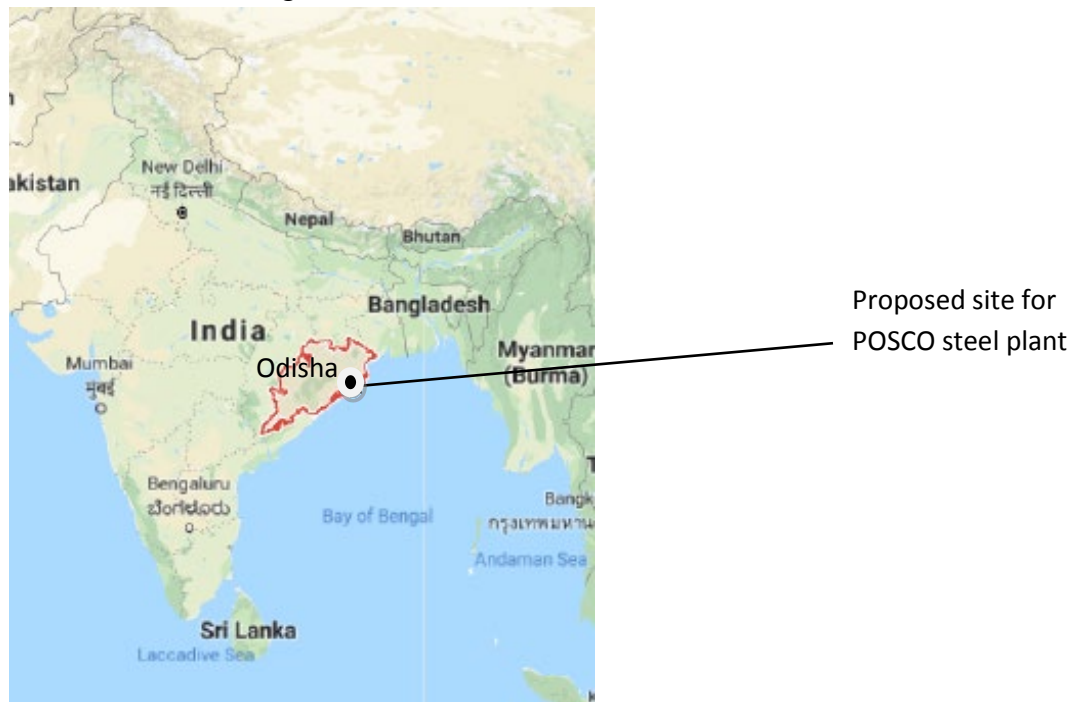
The field of impact assessment has grown substantially over the years. And it was expected that IA exercises should have provided some hints of the problems that project would face during its implementation. Obviously, that did not happen in the case of proposed project of POSCO in

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Odisha. Who was responsible for this lapse? Was it the field of IA that lacked tools and techniques to understand such problems, or did the actors overlook such finesses? This paper was an attempt to critically analyse the impact assessment that aided the POSCO's proposed initiatives went through.



Source of base map: Google Maps, not to scale

**Fig 1:** Location of the POSCO steel plant

## 2. Objectives and Methodology

The purpose of this paper was to critically analyze the proceedings of POSCO's Odisha project particularly those associated with the impact assessment exercises and to identify the reasons that blocked the IA exercises from foreseeing the problems that led to the project's closure. The paper followed a single case study method (Yin, 2003) and within the case it used stakeholder analysis to understand various dynamics that played a key role in the ultimate result. The paper is based on review of documents associated with POSCO project and interview of key informants.

## 3. Major Events

2005: MoU between POSCO and Odisha Government

2006: Rapid EIA, Cost Benefit Analysis, Social Impact Assessment

2007: Public hearing held; Environmental clearance done

2009: Forest clearances provided

2010: Govt of Odisha started land acquisition, Assault on Anti-POSCO activists, MoEF ordered stop of land acquisitions

2011: MoEF added new conditions, Govt. of Odisha resumed land acquisition

2013: POSCO scaled down the capacity of plant from 12 Million Tonne per Annum (MTPA) to 8 MTPA

2015: New mining policy of central government declared

2017: Exit of POSCO announced officially

#### 4. Stakeholder Analysis

Table 1 provides a snapshot of various stakeholders involved in the POSCO project. It can be observed that the first three actors (POSCO, Government of Odisha, and IA agencies) are on one side while the others are on the opposite side. This does not go in tune with the real professional role of government and IA agencies. While the government was supposed to take care of the interest of all actors, particularly those who were vulnerable; the IA agencies must make fair assessment of the situation.

**Table 1:** Stakeholders in POSCO Project in Odisha

Stakeholders	Role	Interest/Costs
POSCO	To build the Integrated Steel Plant including township and port	Low cost land, easy access to minerals,
Government of Odisha	Facilitate the project	Revenues in long run
IA Agencies	To assess the actual impact of the project	Sponsored by POSCO, hence independence questioned
Local Community	Gainful employment	Loss of existing livelihoods and environment
Political Parties	Opposition parties questioned the MoU	Denigrate the ruling parties
Civil Society Organizations	Provide a platform for anti-POSCO activities, lobbying against POSCO	Provide a level playing field to the communities

#### 5. Impact Assessment /Other reports

A cost benefit analysis (CBA) undertaken by the National Council of Applied Economic Research (NCAER) suggested that the project would generate 0.87 million jobs and contribute 11.5% to Odisha's state economy (NCAER, 2007). This was highlighted by POSCO as well as Government of Odisha, but it was not disclosed that POSCO sponsored the study. The economic benefits claimed above were alleged to be exaggerated (Jebaraj, 2010). In 2006, a rapid EIA was conducted based on only one season data (M. N. Dastur & Company Ltd, 2006). The findings of the rapid EIA were also criticized because it was not a comprehensive report and critiques found loopholes in its impact in terms of estimation of emissions and other aspects. It was also alleged that the teams conducting CBA and the rapid EIA did not visit the field site (Pani, personal communication, 26 April 2018).

The government also appointed a few committees to look into the grievances of people. Amongst them was the expert committee established in 2010 (MoEF, 2010; Gupta, 2010) and the Saxena Committee. These committees looked into compliance aspects.

Some critiques analysed the delay that occurred in the project. Park (2011:28) said ‘the main reasons for the delay in the project are the failure to build local political consensus on the project, dispute on Government record on the land, and compensation’. According to Balaton-Chrimes,

For the ten years since then the project has faced strong opposition from the communities affected by the proposed steel plant, who do not want to relinquish their agricultural lands and face displacement. The conflict between the company and the communities has escalated in that time, and has involved multiple incidents of violence and intimidation by police and other actors against anti--POSCO protestors, and filing of hundreds of criminal cases against protesters, the legality of which has been called into question. This is a case not only of human rights risks and harms, but also, much more broadly, of contests over development agendas, and who gets to set them (Balaton-Chrimes, 2015:3).

One important point to remember here is that the project started with conducting of a rapid EIA exercise. Rapid EIA has its limitations as pointed out by the Ministry of Environment itself:

The difference between **Comprehensive** EIA and **Rapid** EIA is in the time-scale of the data supplied. Rapid EIA is for speedier appraisal process. While both types of EIA require inclusion/coverage of all significant environmental impacts and their mitigation, Rapid EIA achieves this through the collection of one season (other than monsoon) data only to reduce the time required. This is acceptable if it does not compromise on the quality of decision-making. The review of Rapid EIA submissions will show whether a comprehensive EIA is warranted or not.

It is, therefore, clear that the submission of a professionally prepared Comprehensive EIA in the first instance would generally be the more efficient approach. Depending on nature, location and scale of the project EIA report should contain all or some of the following components.(source: URL: <http://envfor.nic.in/divisions/iass/eia/Chapter1.htm>, date: 2 May 2018).

It is thus obvious that for project of such huge importance, rapid EIA cannot be a basis for decision making. Particularly when, the comprehensive EIA could not be conducted as the team could not visit the actual project site because of people’s resistance<sup>3</sup>.

## 6. Oversight in the IA reports

- Several environmental risks such as drawing of river water that would affect water supply to major cities, negative impact on coastal ecology (detailed discussion in Balaton-Chrimes, 2015)
- Loss of livelihoods due to damage to beetle vines, fish ponds, and other crops (Asher, 2009)
- A report pointed out that the rapid EIA downplayed the full-blown impact of the proposed project.

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<sup>3</sup> S. K. Pani, Personal Communication, 26 April 2018

- The area in which the project was going to be located had always been politically active. This point was not raised by any of the impact assessment exercises.
- The Forest Rights Act (FRA) was not enacted when the MoU was signed, but when the CBA/EIA reports came it the bill was already passed but the reports did not mention its implications.

## **7. Critical Analysis**

When the project was launched in 2005, the field of IA was already developed. The body of knowledge in IA had spread to various aspects covering environmental, social, and economic aspects. Specific tools for health impact assessment and strategic environmental assessment are already well established. Under such circumstances it is not clear how come such impact assessment missed the crucial points that later hampered and stalled the progress of the project.

It is obvious that in order to accommodate the project several key impacts were overlooked. While it is easy to blame the political actors, the actors conducting impact assessment exercises also did not play their roles professionally. For example, conflict of interest was not reported (Jebaraj, 2010). Otherwise there could have been a better estimation of the costs and benefits, which seemed to have been reported in a lopsided manner.

One point raised by several actors is that the public consultations were not done wholeheartedly. Public hearing, if done in a proper manner, could easily have raised the points that were overlooked during the IA exercises.

One way to defend the existing IA exercises was that their roles are limited, and the EIA look into the environmental aspects, while the CBA look into economic aspects. Why should they look into issues like human rights? This limited conceptualization of IA's roles does not gel with the environmental justice framework (Capek, 1993) that highlights the emphasizes on democratic processes and citizenship rights. Scholesberg (2013) pointed out the boundaries of environmental justice has expanded over time to accommodate human as well as non-human elements of the earth. If we take this into consideration the issues like human rights are well within the bracket of assessment by IA agencies.

## **8. Concluding Remarks**

Impact assessment of such large projects are complex phenomena, and it has political, social, environmental, and other implications. This must be adhered to if we want IA to play a meaningful role. Exercises like EIA and CBA cannot be undertaken in isolation from the socio-political context, they must at least receive equal treatment to that of technical aspects. Issues like livelihoods and environments are often embedded in the society and politics, and that must be taken into account by the IA practitioners. Tools and techniques and protocols should be developed and enforced by professional bodies and regulatory authorities.

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