

Proceedings of the dissemination workshop on study of deregulation of Kendu leaf management in Odisha and Maharashtra

Venue & Date
CYSD-DRTC, BHUBANESWAR
19th December 2013



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Both PESA Act and Forest Rights Act(FRA) recognize community ownership on minor forest produce that includes kendu leaf(*Diospyros melanoxylon* leaves). Over the years this resource(kendu leaf) has been an important economic asset for both the State as well as the local communities, but the State monopoly, despite many plucker-friendly provisions, has always been seen to be more in the interest of the State(the Forest Department in particular) than that of the pluckers. In fact, sharing the net profit from KL trade with the panchayati raj institutions in Odisha has remained a controversial matter as this has almost nothing to do with the benefit of the pluckers, if the way this money has been spent is analysed. Moreover, PESA Act and FRA challenge the validity of the State monopoly in applicable cases.



On the other hand, a critical understanding of the dynamics of kendu leaf(KL) operations doesn't favour a blind recommendation for total withdrawal of State role in KL management and trade. This is because this trade has its own complexity which the communities have not been capacitated enough to deal with successfully. As such, RCDC also recommended to the Haque Committee that although monopoly was to be abolished as per the mandate of PESA and FRA, the present situation still required a State control particularly to efficiently manage the marketing and some other aspects for which the village communities were yet to be made competent enough. In fact, the State should treat the KL resource as the people's resource in its custody, and hence should accordingly revise its conventional policy. The Haque Committee also gave a similar recommendation in its report published in May 2011.

The Government of Odisha(GoO) had in the meantime(March 2011) constituted a committee 'to examine the right of ownership, access to collect, use and disposal of MFP as per the provisions of PESA Act, 1996 and the ST & Other Traditional Forest Dwellers(Recognition of Forest Rights) Act, 2006 and its applicability in case of kendu leaf working/trade by the State with view to accord optimum benefits to the primary collectors/gatherers of kendu leaves'. The committee's recommendations in October 2011 said that while the existing system of managing the KL trade is to be continued in the interest of the pluckers, the existing Kendu Leaf Advisory Committee(which serves as a decision making authority on KL) should be restructured in public interest as KL Development Board having representatives of the local communities (Sarpanch) of KL growing areas, so that the community voice can be given due scope in the decision making regarding KL operations in the state. It further recommended that instead of the conventional practice of sharing 50% of the net profit with the panchayati raj institutions 70% of the net profit should now go to the KL pluckers' welfare fund. At village level the Gramsabha should constitute a Phadi committee by taking representatives from the pluckers, bush cutters, women, and SC & ST communities, etc. so as to play the advisory and supervisory role for achieving the target of KL production.

However, in a sudden development the Government of Odisha deregulated KL in the Nabarangpur KL division for the 2013 crop year, that too at a time when the KL operation was about to start. Although the government claimed this to be in the community interest, the real reason seemed to be linked with the deregulation of bamboo in case of a Gramsabha of Kalahandi district which had happened few months back and in which a political party rival to that of the party in power in Odisha took the mileage. The limited deregulation of KL was therefore seen as an attempt by the ruling party in Odisha to counter that effect. Although the government never accepted this officially, the fact that this was implemented in a hasty manner that too when the committee constituted in March 2011 had not given any such recommendation, should not be ignored. Moreover, the time of deregulation was very improper as it did not give the opportunity for the communities and their relevant institutions to prepare themselves for effectively exercising the power now conferred.

At the beginning, **Mr. Bikash Rath, Senior Programme Manager, RCDC** welcomed all the participants. This was followed by a round of quick introductions. Mr. Rath then shared the objectives of the workshop and discussed the political economy of Kendu leaf in Odisha based on the account of several important political personalities. He mentioned that, for decades KL trade in Odisha had been under the control of the Gujurati people who had successfully established Odisha's strategic position in the trade. These traders used to take monopoly leases from the rulers of the KL producing princely states and were able to make a huge profit from the trade. After independence and merger of the princely states, late Sri Nabakrushna Chowdhury, who was the Chief Minister of Odisha from 1950-56, realized that the State didn't gain much from this huge profit, and that the traders were deceiving the State. Thereafter he decided to introduce the tender system. This initiative was successful, but while the State now gained more in financial terms, the plight of the poor pluckers continued. What's more, the KL traders used to effectively lobby for a policy/mechanism in their favour, and for this purpose they heavily bribed



the political people in one way or the other. They had the power even to destabilize the government. In the meantime, late Sri Nilamani Routray became the president of the Congress party which had been defeated in the 1967 elections. The party's condition was quite precarious then, even in financial terms. So Routray approached the KL traders for some donation, but in vain. They frustrated him so much that he vowed to nationalize the KL trade once his party came to power. He got this opportunity as the minister of the Nandini Satpathy government which nationalized KL operations in 1973 due to the strong stand of Routray. This inside story in fact reveals that it was not the rights and interest of the pluckers but the political and/or financial interest of the political leaders which actually decided the KL policy. And this understanding becomes vital in context of the present scenario as well as the workshop, which Mr. Rath wanted to emphasise.

Mr. Hemanta Bag, Programme Manager, RCDC then presented findings of the study on deregulation of Kendu leaf management in Odisha and Maharashtra. He made a comparative discussion of KL policies and other related matters of KL operations in both the states, as under:

Grassroots finding from Odisha

In Odisha, on 10th April 2013, the Forest and Environment Department deregulated Kendu leaf operation in the Nabarangpur Kendu Leaf Division for the 2013 crop year, with a suggestive statement for OFDC (Odisha Forest Development Corporation) to cancel the advance sell in the area. On 11th April, the Director (ST) cum Additional Secretary, SC & ST Development Department issued a letter to the District Magistrate and Collector, Nabarangpur

regarding intimation of the decision to the Gram panchayats to collect and sell their Kendu leaf to any agency of their choice for the said crop year.

In response, Narigaon, a remote village in the Borigumma block of Koraput district that comes under the jurisdiction of Nabarangpur KL Division, prepared itself to exercise the power thus conferred. The Narigaon Pallisabha(a Gramsabha, being in the Schedule Area) convened a meeting and decided to take up the trade and procurement of kendu leaves at village level. They constituted an executive committee of 10 members to look after the kendu leaf operations. The Pallisabha intimated its decision to the district administration including the Kendu Leaf Division, Nabarangpur through a resolution duly signed by the Sarpanch and other members. The Narigaon Gram Panchayat issued a registration certificate to the committee to purchase kendu leaves. Some of the required working capital to purchase leaves from the pluckers was raised through contributions by the executive committee.¹

During the collection period, they opened two collection centers; and 4 local youths were employed to look after the purchase of leaves. They paid the pluckers at the rate fixed by the government, i.e. Rs 1.20/- per kerry (40 Kendu leaves). Collection of kendu leaves was done for 9 days and they procured 3,70,000 kerries(about 14800 kg) from the pluckers. The total cost of this procurement was Rs 4, 44,000/- (rupees four lakh forty four thousand only) out of which they have been able to pay only Rs.77,000. All operations like drying, shading, storage and bagging were managed by employing local community members having these skills. Apart from the procurement cost, other processing costs including transportation were estimated to be around Rs. 1, 20,000/- (rupees one lakh twenty thousand only). All the procured dried leaves were kept in a rented godown at Narigaon village. The sale value of the collected Phal kendu leaves was expected to be around Rs 12 lakhs.

Despite several requests however, the Narigaon Gramsabha did not get the Transit Permit from the Kendu leaf authority. When asked, the concerned DFO stated that they had not received any instruction from the State to issue the Transit Permit though already a letter to this effect had been issued by the state government on 8th May 2013 vide letter no 9781/ F& E, GoO. When almost half of the stock stored in the godown got deteriorated in quality due to the delay in sales because of want of a TP, the concerned DFO of the division finally issued the TP to the Gramsabha on 26th of July 2013.

After getting the Transit Permit, the Gramsabha representative(s) contacted many traders for profitable disposal of the stock. As rainy season was on its peak and the so called Kendu leaves market was down, few traders turned up to lift the leaves and offered some throw away prices. The Gramsabha found it difficult to wait for a favourable market condition as the quality of the leaves was deteriorating, and there was a risk of further financial loss. Hence, it sold the 9298 Kg of leaves @ Rs 20/- per Kg on 21st of August 2013. The amount of Rs 1, 85, 960/- (rupees one lakh eighty five thousand nine hundred sixty only) received against this sale was distributed among the pluckers in presence of the village council. This means the Gramsabha suffered a huge loss and paying the dues of relevant stakeholders became a serious issue for it.²

Grassroots finding from Maharashtra

In Maharashtra, 18 villages of Gadchiroli, Gondia and Amaravati districts decided to collect Tendu(Kendu) leaves themselves. A technical advisory committee was set up by the GGSs(Group of Gramsabhas) to guide and monitor the process. Tender document was prepared through a joint consultation of technical experts. Advertisement was published in daily newspaper for the sale of estimated 2816 standard bags of tendu leaves from 4 units. Tender notice was also uploaded on the website of Chief Conservator of Forest(CCF),Gadchiroli and blank tender notices

¹ However, it was also provided that in case anybody wanted to sell the leaves to the KLO, that should be accepted.

with documents were kept in the office of GGSs, VNCS and KHOJ³. Tenders box was kept in the offices of the CCF (Territorial). However, when the box was opened on 8th May 2013 it was found empty.

VNCS, GGSs, and Deputy Conservator of Forest(DCF),Gondia called a meeting of all traders of tendu leaves on 9th May 2013 in the office of the DCF Mr. Rama Rao at Gondia where Mr.Dilip Gode, Secretary, VNCS and the DCF himself explained the circumstances and the role of traders in supporting GSs. However, the traders did not show interest to purchase the stock.

The Secretary, VNCS discussed the issue with the Honourable Minister and Principal Secretary (PS) of Tribal Development Department, PS-Forest Department, and the State Tribal Commissioner; and requested them to purchase tendu leaves from the Gramsabhas(GSs) as it is the responsibility of the government to protect the interest of the people. They agreed in principle to purchase the Tendu leaves through Maharashtra Tribal Development Corporation (TDC) and asked the GSs to submit a proposal. Proposal was made and moved through the Integrated Tribal Development Department to purchase tendu leaves @ Rs. 3500 per standard bag. The proposal was sanctioned in the meeting of the Board of Directors of TDC at Nasik on 10th May 2013 making a provision of Rs.1.20 crore for this purpose. The Managing Director of TDC issued a letter of approval to all GGSs to purchase tendu leaves and a copy of an agreement with instructions to their Regional Managers to release a sum of Rs. 1.20 crore as an advance in instalments to meet management expenses, and collection charges, etc.

Group of Gramsabhas (3 nos.) had been constituted district-wise, with two representatives nominated by each GS. They selected Chairman and Secretary for each group of the Gramsabhas. There are three such groups in three districts with their bank account, linked to an individual account of each Gramsabha. All GSs are registered under



the Income Tax Act and have their PAN card.

The Gramsabhas started collection centres (phad) of tendu leaves in all villages. They appointed their Manager (Phad Munshi), Checker, and Helper; and also deployed people for bagging, loading and unloading. Special trainings, awareness meetings/campaigns in the form of stakeholders discussions, and munadi (verbal notice on the beat of drum) were arranged to give people instructions on how to collect the leaves and maintain the quality. As a result, out of the estimated 2816 standards bags about 2076 standard bags were collected by achieving 70 % of target.

TDC provided fund of Rs. 70 lakhs as an advance to the GGSs. Tendu leaves were properly dried at the phad followed by their packing in gunny bags after final checking. The hessian bags were procured from the nearby market. Work of stacking, watering and filling of bags were carried out by skilled workers. Gunny bags were numbered along with the total number of bundles recorded in form A-1 center--wise. TDC then transported the material to the godowns at Wadsa(Gadchiroli), Deori (Gondia) and Tembrusonde(Amravati).

Meanwhile TDC denied paying the agreed price of Rs. 3500 per standard bag, due to some negative propaganda made by unknown resources that the material was substandard and was worth of a lower rate, i.e. @ Rs. 2500 per standard bag. They also issued a letter to the GGSs to bear loss if the material could not be sold at the agreed rate and that the difference amount would be recovered from them. This attitude of TDC was discussed in a meeting of GGSs and they decided not to allow TDC to sale their material if it incurs losses. They decided to sale this material at their own in the open market. Technical expert team then contacted traders and bidi manufactures. As a result the material was sold @Rs. 3600 per std. bag (881 bags of 4 villages, dist. Gondia), @ Rs. 3200 per std. bags (1118 bags of 12 villages, dist. Gadchiroli) and 70 bags of 2 villages from Amravati district. Prior permission for sale was sought from TDC. The first lot of 881 std. bags have been transported to Mysore under a TP issued by the Group of Gramsabhas (unit Dhamditola) through its Chairman Gopal Naroti.

GGSs of Dhamditola unit (dist. Gondia) repaid Rs. 28 lakhs (as advance money they received) to the TDC. This may be a progressive and only instance in Maharashtra, where the GSs returned money to the TDC. The supply of remaining material is in progress.



² Some more details can be accessed at <http://www.orissadiary.com/ShowDistrictNews.asp?id=42404>.

³ Vidarbha Nature Conservation Society(VNCS) and KHOJ are the two local NGOs which played a facilitative role in the community-based KL trading.

Based on the bundles of tendu leaves deposited by the pluckers and approved by the Checker/Phadi Munshi as well as representatives of the GSs, payments for collection of tendu bundles were deposited in the bank account of respective Gramsabha of that center by the Group of Gramsabha from their main account. The GSs disbursed collection charges @ Rs. 195 per 100 bundles (Rs. 1950 per standard bag) to the pluckers. Whole lot of the material was sold for Rs.6982502 and a sum of Rs. 4155816 was paid to 1449 families as collection charges. The balance amount deducting plucking charges & management cost will be paid to



the pluckers as bonus. Audit of the income and expenditure by a Chartered Accountant is in progress and after its completion, bonus will be declared. The members of the GGS/ GSs approved the expenditures, and final audited statement of expenditure will be put before GSs for their approval and decisions. It has been decided to distribute audited statement of accounts to every family of the pluckers.

Through the presentation of the cases from Odisha and Maharashtra, Mr. Bag explained how in one case (Narigaon, Odisha) a community initiative suffered heavy set back due to the faulty policy and lackadaisical attitude of the authorities whereas in the other case (Maharashtra) a critical government support saved the community initiative in the first phase whereas the communities efficiently managed the affair in the second phase when the governmental(TDC) stand became dillydallying. Of course, in both the cases some local NGOs played the role of critical facilitators so as to sensitize the communities of their rights as well as the prevalent policy and legal provisions, and also by building the capacity of the communities to exercise the rights granted to them by the government as per the provision of FRA and/or PESA; but the fact that the concerned communities decided to exercise their rights despite the complexity of the matter, and took up the challenge through concrete means such as fund raising to start the business(Narigaon) is remarkable.

The floor was then open for queries, comments, and feedback.

Mr. Chitta Ranjan Pani, Vasundhara said that the deregulation of Kendu leaves trade had taken place in a hurried manner without necessary consultations and ground preparations such as awareness building and capacity building. He apprehended that it was rather a clear conspiracy on the part of the Forest Department to present a convincing case that the deregulation would not benefit the forest dwelling communities which is why the existing system of State monopoly needs to continue. He alleged that the deregulation was effected at a time when the collection season was about to start, and the concerned communities/Gramsabhas had almost no time to organize or sufficiently prepare themselves for managing the matter themselves; and this was done with an intention to prove that the Gramsabha or the communities cannot manage the KL business.

Mr. Bidyut Mohanty, SPREAD said that the step taken by the State government made a chaos in the entire Kendu Leaf division as neither the Kendu leaf organization nor the Panchayats turned up to purchase the Kendu leaves from the pluckers. The step taken by Government at the last hour without creating any enabling environment was in fact like playing with the life and livelihood of the poor Kendu leaf pluckers.

All these issues should have been sorted out by the government before deregulating the trade. As the demand for deregulation was being raised by forest dwellers throughout the state, they cleverly chose Nabarangpur division which generally has poor quality of leaves and does not give much revenue to state for this. They suddenly announced deregulation at the time when plucking season had already started. There was no capital fund provided for Pallisabhas, and no capacity building was done.



Mr. Subash Chandra Mishra, APCCF (KL)

Mr. Mishra clarified from the beginning that he would be participating in the discussion not as the government representative (i.e. not in his official capacity) but as a technical person experienced in handling KL operations. He said that as per the prevailing procedure, the KL Organization (KLO) of Forest Department procures KL and pays the collection charges to the pluckers as fixed by the Government. KL operation involves a delicate and complex technical processing in a number of phases, which the KL Organization undertakes systematically so as to make the procurement worthy of a profitable business. A significant part of the processing task is done by skilled seasonal workers who are often 'outsiders'. Kendu leaf has certain advantages over other leaves for bidi making, and quality is very important in this case. If the quality parameters are not satisfied upto a minimum standard limit then KL would not be worth of commercial bidi making. This is why the KL Organization has to skillfully manage the whole operation after which the leaves are handed over to OFDC for marketing.

Rejecting the allegation that the deregulation was untimely, Mr. Mishra tried to clarify that since the intention of the KLO was to make the handling of KL business easier for the Gramsabhas hence the deregulation was notified when the leaves were ready for collection, so that the Gramsabhas could now quickly take over the matter themselves. However, there were a number of factors which could not be managed properly resulting in the set back as in case of Narigaon. For instance, due to the agro climatic effects in the Nabarangpur region, the leaf shelf life is very low. Hence, immediate disposal is required to prevent loss. In case of Narigaon Gramsabha, the



leaves were in brittle condition and the local committee could not ensure necessary processing (grading, etc.) of the leaves despite suggestions from the KL authorities. Getting skilled workers for processing was also an issue, while hessian cloth (gunny bag) was not available locally. He further said that as the government directed OFDC to cancel the advance tender, hence traders remained in dilemma as to how smooth or convenient their procurement of KL in the Nabarangpur KL division would be; so they opted for purchasing KL from the Chattisgarh and Jharkhand states for meeting their needs. All these complicated the Narigaon case. Regarding the question why did the KLO not purchase the leaves from the Narigaon Gramsabha, he said that the KLO purchases only green (fresh) leaves, and is not mandated to purchase the dry leaves.

Mr. Mishra reiterated his stand that the KLO has been working to safeguard the interest of the poor pluckers, and substantiated this with an interesting but vital information that although there is no policy provision to purchase KL from forest land and the KLO is mandated basically to purchase leaves collected from the revenue lands (government waste lands and private lands) still it doesn't discriminate between the collections from revenue and forest lands in order to help the poor pluckers.

Mr. Bikash Rath synthesized the sharings made so far by saying that while there is no doubt that the government in general and the KLO in particular still has a vital role in managing the KL operations given the technical necessities as well as market complexities were not in a position to manage properly due to want of necessary knowledge and capacity, the government needs to play this role for and on behalf of the communities and not as a monopolist. He reminded the recommendation of the Haque Committee in this context, and said that while the state control has been advantageous for the poor pluckers in many ways (like, same price everywhere irrespective of the quality), the fact that the deregulation initiative was a flawed one is evident from many grassroots instances (like, the RCDC study team found that the Gram Panchayats/Gramsabhas were not communicated properly or timely regarding the deregulation; and the local people, being not made aware about the new provision, could not know for sometime if the system would change this time, which indicates a confused state of affairs, thanks to the lackadaisical attitude of the government authorities).

Explaining how the government can work for the communities, he said Kendu leaf export is affected by various international political dynamics, and the local communities can't monitor and manage these things themselves. Of

course they may confine their interest only to a profitable sale of their produce, but to think of developing/expanding the trade requires a lot of other considerations which they are unlikely to manage, at least under the present scenario. Community control can be exercised, through pluckers cooperatives or other such feasible organizations, to monitor timely and proper bush-cutting, collection, processing, and handing over for marketing so as to check exploitation and/or negligence by the departmental people/ agents/seasonal staff. The state agency should be made accountable to the Gramsabha, and should respond to the notice of the Gramsabha in case of any issues with payment or procurement, etc..

As of the traders' projections of high rates (price) of procurement in case of privatization he expressed apprehension as he believes that traders can hardly be reliable and committed in this respect. Instead, he emphasized on developing alternative trade of tendu leaf as the single end use (bidi) makes it vulnerable.

Mr.Ghasiram Panda, Action Aid said that as per FRA the owner of Kendu leaf is Gramsabha, so the government should take necessary steps for smooth implementation of the mandate of this Act in context of KL.

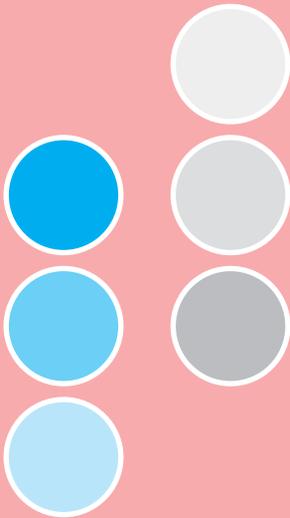
Taking the comments received so far in a positive sense, Mr. Subash Chandra Mishra expressed interest in getting specific individual feedback from all the participants so that he could try improving the prevailing mechanisms where feasible. This highly appreciable gesture from such a senior authority inspired the participants to make their specific comments and suggestions.

Recommendation drawn from presentations and open house discussion

- Kendu Leaves deregulation was supposedly done to enable Gramsabhas to exercise their ownership and disposal rights over it. The FRA also empowers them to sell the produce. In this context Government should take the following steps for ensuring a successful community management of the KL operations so that the KL pluckers can be better benefited.
- Odisha Forest Development Corporation (OFDC) be instructed to invite tenders for the sale of the kendu leaves procured by the Pallisabha/Gramsabha (when it invites tenders for other KL lots) and reimburse the sale amount to the latter. If it must charge a commission for doing so, the percentage should be reduced from the normal 10% it charges, to, say, 5%.
- The SC & ST Development Department, the Forest Department and the district administration should facilitate the Pallisabha in obtaining a permanent account number (PAN) in case income tax is payable on the net income earned by the Pallisabha. However, since the Pallisabha will only be keeping the expenses it incurred and distributing the rest among the pluckers in proportion to the amount of leaves they collected, and none of the pluckers should be liable to pay income tax, whether the Pallisabha can be exempted from paying income tax must be explored.
- For the longer term, the SC & ST Development Department must ensure that villagers in the district are fully informed about the FRA and its provisions through awareness generation and training programmes. Simultaneously, institutional support must be provided to Gramsabhas/Pallisabhas for a range of options developed through a consultative process in case they are interested to take up KL procurement and marketing next year, together with the policy support which will be needed for the same. Some Pallisabhas may only want to take up only a part of the operations in the KL process, they need to be supported accordingly.

- The ST & SC Development Department must take immediate steps to develop a policy for providing marketing support for the kendu leaves collected by the Gramsabhas. In a similar intervention the Tribal Welfare Department of Maharashtra has provided support to the KL pluckers through State Tribal Development Co-operative Corporation Ltd (TDCCOL).
- The low income of MFP gatherers is a consequence of several factors. These require long- as well as short- and medium term solutions. In the long term, the development of the MFP market, and strengthening the gatherers' bargaining power in the market, are key factors. However, this cannot happen overnight. Strategic government intervention would therefore be necessary, in the short and medium term, to enhance incomes from MFP. Government Corporations and Federations need to shift from playing a controlling role to a supportive and facilitative role.
- The State Government and the concerned line departments/agencies, namely the ST & SC Development Department, the Forest Department and the OFDC must urgently compensate the genuine loss incurred by the Gramsabha due to not providing any hand holding support to the latter.





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