



Government of Orissa

Speech of
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in the

52nd Meeting of
The National Development Council at
Vigyan Bhawan, New Delhi

9th December, 2006

Hon'ble Prime Minister, Deputy Chairman and Members of the Planning Commission, Union Ministers, Colleague Chief Ministers and friends.

2. At the outset, I extend my thanks to the Prime Minister for convening this meeting of the NDC to finalize the plan strategy for the 11th Five Year Plan. I would also like to convey my appreciation to the Planning Commission for bringing out a well thought out Approach Paper to the 11th Five Year Plan, which very well articulates emerging concerns that need to be addressed during the coming five years.

3. While it may not be possible to discuss in detail all the policy and strategy issues brought out in the paper, I would like to highlight a few major aspects concerning the developmental needs of less developed States like Orissa, which may require a more focussed public investment strategy.

4. Having taken into account current strengths of the economy, the Approach Paper aims at sustainable average annual growth rate of 9% during the 11th Plan period. This seems feasible and an achievable target. The economy has to grow at a higher rate to make an effective dent into poverty as well as to achieve the MDG goals by the targeted dates. The Approach Paper also highlights the need for inclusive growth with a view to reducing regional, social and gender disparities. This is a more challenging task and would require greater attention. Less developed States like Orissa, which witness acute regional, social and gender disparities, have to register even a higher growth rate than the projected rate for the economy as a whole. This is desirable to bridge the widening gap between poor and rich States and to achieve the poverty reduction and other MDG targets. Therefore, any national growth strategy has to give special attention to the issue of growing disparities by way of enhancing public investment in States which are lagging behind. While the less developed States would be making all out efforts to raise the resources needed for public investment subject to various constraints faced by them, there would still be a substantial gap between investible funds that can be mobilized by them and what is required. To meet this gap, there has to be a national framework by which larger resources can flow to less developed States like Orissa.

5. We propose this national framework to be based on a three-pronged strategy. First, there should be an increased flow of central assistance to the less developed States, particularly to the most depressed regions. Such a central assistance has to be primarily of non-debt creating nature. Second, there is an urgent need to provide greater fiscal space to the States so that they can mobilize higher resources of their own. For example, States may be empowered to levy VAT on recommended services. This matter needs expeditious resolution. Pending final decision in this regard, the share of States from Service Tax should be raised from the current level of 30.5% to 50% and inter se devolution should follow the 12th Finance Commission Formula. Third, with a view to reducing their heavy debt burden, States may be allowed to swap their high cost Central debt including outstanding debt under National Small Savings Fund so that resultant interest savings could be utilized for capital expenditure.

6. The Approach Paper has rightly emphasized the need for doubling the growth rate for Agriculture and Allied Sectors. A vibrant rural economy is needed to ensure

increased rural incomes and employment which would be a strong contributor for poverty reduction. Increased productivity in agriculture, expansion of irrigation, watershed development and saturation of watersheds, diversification of crops, strengthening of rural marketing and agricultural extension, technology transfer, crop insurance, and rural infrastructure are key areas the strategy should focus on. The plan strategy should also look at ways in which farmers can get remunerative prices for their produce and ensure that the terms of trade do not move adversely against the farm sector. Orissa has undertaken several reform measures to increase marketing linkages for agricultural produce including an amendment of the Agriculture Products Market Act, which permits setting up of rural markets and contract farming in the private sector.

7. Availability of credit is critical for increasing farm output. Orissa has accepted the Vaidyanathan Committee recommendations. We would urge quick action on re-capitalization of cooperatives, which are extending both short term as well as long term credit to farmers. While on one hand steps are being taken to revitalize the cooperative sector, several policy distortions are getting introduced which will affect the availability as well as cost of credit to farmers. In Orissa and possibly in some other States also, almost 70% of agricultural credit is extended by Primary Cooperative Credit Societies. The cooperative sector banks need additional 2% interest subvention so that they can extend credit to farmers at the same interest rate as allowed to commercial banks for rural credit by way of 2% interest subvention. It is, therefore, urged that Government of India should put in place an appropriate policy framework to enable co-operative sector banks to extend credit to farmers at 7% interest rate.

8. Increasing irrigation potential and drought proofing are critical • prerequisites to enhance agricultural productivity. In Orissa, the area which can be brought under assured irrigation is quite substantial. Potential for irrigation is around 59 lakh hectares and taking all sources into account we have been able to tap the potential only to an extent of 27 lakh hectares by now. We plan to step up the irrigation potential substantially in the 11th Plan, for which massive resources will be required. We would, therefore, suggest that the funding under AIBP be stepped up adequately and since returns on these investments are meager, resource flow for creating additional irrigation potential has to be primarily of a non-debt creating nature.

9. Orissa and many other States are making concerted efforts to improve investment climate with a view to attracting private investment. In this regard, we have taken a number of initiatives including single window clearance mechanism, transparent procedures and well thought out R & R policy. Though there has been a substantial improvement in the private sector investments in Orissa, particularly in mining and related industries, these initiatives are not enough. In order to attract private sector investment, there is immediate need for high levels of investment in infrastructure like roads, ports, railways, power generation and distribution etc. My state has already put in place an appropriate PPP mechanism for infrastructure development in the field of port and road development. But PPP alone cannot be the answer to infrastructure development. Poor states like Orissa need greater investments in the non-PPP mode.

10. A growth strategy that promotes employment has been rightly given prominence in the approach paper. The NREGP, recently started, covers only 19 districts out of the 30 districts in my State and this programme has to be expanded to all the districts. This wider coverage need to be introduced quickly for Orissa to have an immediate impact on poverty reduction. We have put Employment Generation on a mission mode for achieving convergence of resources and activities under different programmes to generate self employment opportunities. Development of small scale industries in clusters, ancillarisation, linking industries to supply chains would have to be central in the 11th plan strategy. Promotion of service sector especially tourism activities are to be given greater importance in the plan strategy. The efforts of the States in this area will have to be strengthened by appropriate resource flow and policy inputs by Govt, of India.

11. Social sector investments in areas of health, education, poverty eradication as well as adequate provision for social safety net, promotion of gender equality, child and women welfare, development of disadvantaged sections, creation of income and employment opportunities for Scheduled Castes and Scheduled Tribes and the need to devise an inclusive growth strategy has been rightly accorded prime focus in the 11th Plan. In order to empower women economically and socially, my Government has been implementing a programme called Mission Shakti, under which 1.9 lakh women SHGs have been formed and 75% of them have been credit linked.

12. Government of India has introduced incentives by providing Central Excise Duty concessions for industries in certain regions. The KBK region in Orissa with practically no industrial base deserves to be treated fairly under such provisions. Government of India may grant special industrial incentive package for this region at par with the North East States, Sikkim, Uttaranchal and Himachal Pradesh. Industries in the KBK region may be exempted from income Tax and Central Excise for a period of 10 years.

13. Several Central Policies have adversely impacted, and continue to adversely impact, some States including Orissa. For example, mineral rich States have not been able to reap full benefits of their endowments because of distortions in, and delayed implementation of, mineral royalty policies. Royalty structures are such that the States are losing out substantially in resource generation potential for public investments. Orissa has been losing Rs.150 crore a year due to delayed revision of coal royalty. Royalty rates on other minerals such as iron ore are also very low and not revised in time. Further, the levy of tax on land including mineral bearing land, in the form of tax/cess or otherwise, should not be linked with the payment of the royalty on minerals. These distortions need to be corrected as expeditiously as possible. In this regard, it may be observed that the 11th Finance Commission recommended the revision of coal royalty every three years and suitable compensation to the States in case of delay in royalty revisions. The 12th Finance Commission also recommended revision of royalty rates on *ad valorem* basis. The High Level Committee on National Mineral Policy has also given the similar recommendation. We, therefore, urge Government of India that royalty rates for all scheduled minerals should be revised on *ad valorem* basis. In all fairness, the States should be enabled to capture full value of their resource endowments. The KBK region of my State has remained underdeveloped for many years. We are now trying to accelerate the pace

of development in the region through the RLAP. The NHRC and NIRD have independently evaluated the RLAP and have recommended continuance of the RLAP in the 11th Five Year Plan because of satisfactory results. Any dilution of the emphasis at this stage will seriously jeopardize the development plan for the region. I would therefore strongly urge that (i) the special identity of RLAP be continued in the 11th Five Year Plan and (ii) that the grant of Special Central Assistance be increased to Rs.500 crore per annum.

14. Likewise, the power producing States like Orissa are being discriminated compared to the power consuming States in matters of revenue sharing. As the existing electricity laws do not allow power producing States to collect any tax from consumers outside the State, the power producing States bear the brunt of pollution and displacement of persons without any compensation, whereas the consuming States derive the cream of benefit. To correct this unfair system, the power producing States should be adequately compensated for environmental degradation and displacement of people and a Central Legislation may be passed providing for (a) levy of duty on generation of power by the Central Government which can be passed on to the concerned State Government, and (b) allocation of an appropriate portion of power generated to the host State at variable cost.

15. Uniform policies and programmes for the country as a whole have produced distorted growth within different parts of the country. Regional imbalances have cropped up and the richer states are getting progressively richer to the detriment of the others. The objective of the Plan should be to correct these distortions by region-specific interventions. There has to be greater flexibility available to States in the designing of programmes in respect of Centrally Sponsored and Central Plan schemes. For example, the APDRP funding has not been designed to take into account the special requirements of a State like Orissa, where power sector has been unbundled and privatized. The State has been losing funds and incentives under the Scheme as private utilities are not raising resources for counterpart funding. Insistence for matching State share under CSP affects adversely the implementation of CSP schemes in fiscally stressed States like Orissa. The 11th Plan should address these macro policy concerns of the States as they impinge on the ability of States to mobilize resources for public investments and efficient programme execution.

16. I would also like to emphasize that several recommendations of the High Level Committee on National Mineral Policy, if accepted, would further hurt the mineral rich, but socio-economically poor States like Orissa. My Government has been consciously encouraging value addition in mineral sector with a view to improving employment opportunities for local youth, enhancing generation of tax and non tax revenue and promoting downstream and ancillary industries. The National Policy should also aim at maximum value addition within the country and ban export of important minerals such as iron ore and chromite over a period of time. Several recommendations of the High Level Committee aim at constraining to benefit from their natural resource endowments. We have already communicated our views on such recommendations to Government of India and hope that the views and aspirations of the State Governments shall be given due weightage before these recommendations are implemented. On one

hand, Government of India are encouraging decentralization of planning and development process and on the other Government of India are increasing their control over local resources and further centralizing decision making in this regard.

17. I would also like to place on record before this august house that even though Orissa satisfies most criteria for Special Category Status, the proposal for declaring Orissa as a Special Category State has not yet been favourably considered by Government of India. Orissa is one of the most debt stressed States. The State is the poorest major State and has very adverse socioeconomic and human development indicators. Orissa also satisfies all criteria for Special Category Status except that it does not have an international boundary. We would urge this august body to redefine criteria for according Special Category Status to a State. We also reiterate our legitimate claim to be treated as a Special Category State.

18. Before I conclude, let me once again extend my sincere thanks to the Hon'ble Prime Minister and Deputy Chairman, Planning Commission for giving us this opportunity to deliberate on the Approach Paper for the 11th Five Year Plan. I would like to assure that my State will extend full support and cooperation to the Central Government in their Endeavour for achieving more broad based and inclusive growth during the 11th Plan and bridging the rural-urban divides and inter-regional disparities as outlined in the approach paper.

Thank you all.