Speech of Shri Naveen Patnaik, Chief Minister, Orissa

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HON'BLE PRIME MINISTER, DEPUTY CHAIRMAN AND MEMBERS OF THE PLANNING COMMISSION, UNION MINISTERS, COLLEAGUE CHIEF MINISTERS AND FRIENDS.

We have assembled here to approve the Tenth Five Year Plan.) would like to compliment Planning Commission for having completed this stupendous task. The Approach Paper to the Tenth Plan was appreciated by all for its innovative approach and focus on equity-oriented sustainable growth. One can easily discern a paradigm shift in the Tenth Plan strategy. The Plan document has articulated strengths and weaknesses of regional economies and taking note of existing regional disparities has prescribed differential growth rates for different States. It has also attempted to consolidate the gains of the earlier development plans, it accepts that development is just not economic growth, rather it encompasses overall human development and has set several monitorable targets that significantly impinge upon the quality of life of the people: e.g., 5% reduction in poverty; provision for gainful high quality employment to the emerging labour force:

> universal access to primary education; safe drinking water supply to all villages; and frontal attack on IMR with a view to reducing it to 45 per thousand live births. There is a distinct focus on innovative implementation strategies and improved delivery mechanism. Fiscal and governance reforms have also been rightly emphasized. In a clear departure from earlier approaches, it has been envisioned to be a reforms plan instead of a resource plan. Planning Commission deserves to be complimented for having drawn up such an innovative Plan.

Orissa's 10th Plan

2. Orissa has formulated its Tenth Five Year Plan with an outlay of Rs.19000 crores keeping in view the mandates of the Approach Paper and taking into account the slow pace of development of the State because of several constraints.

Growth Rate

3. The Approach Paper has envisaged a growth rate of 6.2% for the State economy during the Tenth Plan Period. It is estimated that an investment of Rs.57,562 crore may be needed to realize the targeted growth rate keeping in view the prevailing economic scenario and incremental capital out-put ratio. This assumes a Central Sector investment and Private Sector investment of the order of Rs.38,562 crores. Though this

appears to be a tall order in view of the constraints of resources of the Centre, the State has accepted this challenge and shall strive to realize this goal by mobilizing maximum possible private sector investment and improving the economic efficiency of Plan investments.

High Incidence of Poverty

4. Orissa is the poorest State of the Indian Union, 47.15% people being below poverty line. The incidence and persistence of poverty is even higher in the Southern Orissa which comprises Kandhamal, Gajpati and KBK districts. The State Per Capita Income is way below the national average. The gap between the State Per Capita Income and the corresponding National Per Capita Income is alarmingly increasing from Rs.2,901/- during 1993-94 to Rs.5,067/- during 2000-01 as per quick estimates.

Slowing Economic Growth & Growing Regional Disparities

5. While the overall growth in per capita State Domestic Product has slowed down from 6.3% per annum during 1993-97 to 3.5% during 1997-2000, the per capita State Domestic Product actually declined in respect of three States Orissa. In fact, according to an estimate, Orissa has in real terms registered a negative growth rate during the period from 1997-98 to 2000-01. This is a serious cause of concern, for if this trend continues, this would further accentuate regional disparities. Equally disturbing is the fact that whereas the percentage change in percentage share of the primary sector in the Net State tin: Domestic Product (NSDP) has only marginally (i.e. 4.91%) declined from 1987-88 to 1999-2000, the corresponding decline of the secondary sector has been highly significant (i.e., -66%). This is in contrast to the general national trend which has shown an increase in the contribution of the secondary sector and a sharp decline in the primary sector.

6. Inter-regional inequity and imbalance are not socially, economically and politically desirable. People in backward regions lack economic opportunities. They are deprived of fruits of developmental efforts. People in socio-economically depressed regions often carry a deep sense of frustration and discrimination against their better off neighbours. Poor and disaffected people are often easily manipulated by anti-social elements and powerful vested interests. These pockets of poverty breed serious socio-economic problems. There is corroborating evidence that the problems of terrorism, naxalism, increased incidence of crime, law and order and social strife in many pockets are attributed to social and economic depression of such regions. This problem of regional imbalance does not only exist at Inter-State level. It is also an Intra-State ' problem.

7. The draft Tenth Five Year Plan document also highlights the dangers of inter-State and infra-State disparities in development. The observed, disparities in social attainments also appear to be persistent, as brought out by the National Human Development Report, 2001. These trends indicate a growing polarization of the country and can have an extremely damaging effect on national unity and integrity.

8. It is a high time that we evolve a separate package of policies and policy instruments to arrest and reverse the growing regional imbalances. The first step in this direction would be to list out five to ten such States on the basis of certain objective criteria like percentage of people below poverty line, per capita income and net State Domestic Product and some social parameters like literacy level and IMR etc. This group of States could be broadly categorized as Less Developed States (LDS).

9. The LDS should, to start with, be given Central Assistance with 90% grant and 10% loan instead of 30% grant and 70% loan as at present. Further, because of the special problem of debt overhang, the Government of India may work out a special debt relief package. This should include writing off 50% of the high-cost loan and the balance 50% swapping through low-cost borrowing. The remaining Central Government loans as outstanding on 31.03.2002 may be consolidated at 8% interest rate. In future, the Central loan should be at market rate, in order to attract external .aid, multilateral and bilateral, the assistance given by any donor agency as grant should be passed on to the LDS as a total grant and the assistance given by any agency as loan should be passed on to the LDS as 50% grant and 50% Loan. The LDS should not be asked to provide the matching assistance to attract funds under Centrally Sponsored Schemes because of their poor resource base. The measures suggested here are only indicative and not exhaustive.

10. It is heartening to note that Government of India have also been striving to do away with regional imbalance and disparities. Recently, Government of India have launched a Special Programme, called Development and Reforms Facility (DRF) to assist the development of backward areas through devolving higher resources to the concerned State Governments. This programmes aims at promoting good and responsive governance and improving the performance of State Governments. My Government is grateful to the Government of India for its support to the RLTAP for the KBK districts under DRF.

11. However, under DRF, 100 most backward districts have been identified on the basis of three criteria: agricultural productivity per worker, agricultural wage rate, and the proportion of the SC/ST population of the district. In this regard, it may be mentioned that no district of Orissa has been included in this component during the

Pilot phase of the project (i.e., during the year 2002-03). There is a need to include Kandhamal and Gajapati districts under the "Most Backward District Component" of DRF. I urge the Government of India to include these two districts under the "Most Backward District Component" during 2003-04. Several key socio-economic indicators of these districts reveal their extreme backwardness. For example, more than 90 percent of families of these districts are under BPL category. Nearly 70% of population of Kandhamai district and 56.76% population of Gajpati district belong to the SC/ST categories. Agricultural productivity per worker the real wage rate and the literacy rate in these districts are very low.

Poor infrastructure

12. Orissa is also deficient in infrastructure (i.e., structure railways, paved roads, ports, telecommunication and irrigation facilities). Optimal exploitation of its vast natural resources demands heavy investment in infrastructural development. However, the State's capacity to develop infrastructure is very weak and limited. On the other hand, poor infrastructure inhibits adequate private investment in key sectors of the economy. As a result, the State's economy continues to languish. The Centre should pay special attention to develop infrastructure in the State by ensuring flow of adequate funds to various ongoing and new Central projects.

Natural Calamities

13. The State is extremely vulnerable to natural calamities like droughts, floods and cyclones. The State has been ravaged by as many as 15 major natural calamities during the last forty years from 1963 to the present. The unprecedented Super Cyclone of October 1999 devastated the infrastructure sector and the livelihood sector causing irreparable loss to the poor and the near people in the Coastal areas. Thereafter, the severe droughts in the year 2000 and 2002 and the unprecedented floods and excessive rainfall during 2001 have ravaged almost the entire State. These calamities have caused colossal losses to the poorer sections including ST/SC families, landless labourers and small and marginal farmers. The recurrent visitations of natural calamities exacerbate distress of the people particularly small and marginal farmers and the landless labourers. Repeated damages to their households, crops, domestic animals, land productivity and other income bearing assets cripple their fragile life support systems. According to an estimate, the State economy has suffered losses to the extent of Rs.13,230 crores due-to natural calamities from 1998-99 to 2002-03. The State has to undertake massive programmes to repair the damaged infrastructure.

Fiscal crisis

14. Orissa faces a severe fiscal crisis. Being a poor agrarian economy, its tax base is low. While the State's own tax revenue has been recently increasing its non-tax revenue has remained generally low, and often volatile. A very high proportion of the State's own resources, and assistance available from the Centre are consumed in meeting the committed expenditures for salary, pension and interest payments. There is very little available for productive investment. The real challenge is thus to create fiscal space for investment in critical sectors for reviving the economy and reducing poverty in a sustainable manner.

15. More than 90% of the State Plan outlay is being financed from borrowing. As a result, the State has acquired a debt stock of Rs.24,272 crore as on 31.3.2002. This represents nearly 61% of GSDP as against the all State average of about 30%. This magnitude of the debt burden is simply unsustainable by any standard. Because of persistent problem of debt overhang, the gap between Non-Plan receipt and expenditure is growing wider and wider.

16. An outlay of Rs.19,000 crore has been approved by the Planning Commission for the 10th Plan. Since the estimated gap in the Non-Plan Account for the 10th Plan (2002-07) is huge, we would have to arrange the resources to the extent of more than Rs.26,300 crore to finance an outlay of Rs.19,000 crore. The estimated resource of Rs.26,300 crore would consist of loan component to the extent of Rs.19,140 crore.

17. Despite such critical financial situation, the State has not been able to get a fair deal from the Finance Commissions, particularly the Eleventh Finance Commission, due to erroneous calculations. The Commission over-pitched the Non-Plan miscellaneous grant and under-assessed the expenditure liability on pension and interest. On this count, Orissa has suffered a loss of Rs.7500 crore for the period 2000-05. This has forced the State to resort to increased borrowing from year to year to finance the, critical development programmes. It is suggested that 12th Finance Commission should review such erroneous calculations and recommend a suitable compensation. Besides, the 12th Finance Commission, before finalizing the assessment of Non-Plan revenue deficit grant, should share the methodology of assessment of revenue receipt and revenue expenditure in advance with concerned State Governments before pre-devolution deficit is arrived at by the Commission.

18. The 10th Plan period starts from 2002-03 and «i ends in 2006-07, but the award period of the 12th Finance Commission is 2005-06 to 2009-10 and the 12th Finance Commission is required to make its report available" by 31.07.2004. The Planning Commission should devise a suitable mechanism so that 12th Finance Commission should take into account the committed liability of the 10th Plan Period in

the assessment of revenue receipt and revenue expenditure for the period from 2005-10. The nation may think of making the Five Year Plans and period of implementation of the award of the Finance Commission coterminous to make ; Plan Outlays more realistic,

19. The Eleventh Finance Commission had recommended grant for Up-gradation of Standard of Administration and Special Problems in accordance with its Terms of Reference. But, there is no mention with regard to this vital aspect in Terms of Reference of the 12th Finance Commission. The Planning Commission should make an assessment of the need of such grant for Up-gradation of Standards of Administration and Special Problems on non-developmental and social sectors and services particularly of States which are backward in general administration with a view to modernize and rationalize the administrative set up in the interest of speed, efficiency and sound financial management.

20. Both 10^{th} and 11^{th} Finance Commission: recommended the debt relief linked to fiscal performance, but Orissa is not able to get any debt relief because of the very fact that the interest payment itself constitutes as high as 32% of the total Non-plan revenue expenditure and 24% of the total revenue expenditure and this is rising from year to year. Secondly, on the revenue side, there is a short-fall in shared taxes compared to the estimates made by the Finance Commission. Further, royalty being a major source of Non-tax revenue, non-revision of the rate of royalty on coal regularly has adversely impacted collection of the State's non-tax revenue. The revisions of royalty made on major minerals other than coal have not, contributed to any significant increase in the Non tax revenue. It is necessary to revise royalty rates, of coal regularly.

Reforms

21. The Plan document has rightly focused on fiscal and governance reforms which focus on down-sizing the bureaucracy, user charges for identified public services, power sector reforms and fiscal reforms. My Government has also embarked upon an ambitious public sector reforms programme which aims at: (i) strengthening governance, (ii) right-sizing bureaucracy, (iii). improving growth performance, and (iv) reducing poverty.

Participatory Approach

22. The Tenth Plan document has also rightly focused on participatory approach. Orissa has taken several steps in this regard:

(i) For effective participation of the people in water management, Orissa Pani

Panchayat Act has been enacted. 4,301 Pani Panchayats have been established.

(ii) Village Education Committees have been constituted and entrusted with the powers to appoint para-teachers. Gram Panchayats have been given greater role and responsibilities in this regard.

(iii) Responsibilities for protection and preservation of forests has been entrusted to Joint Forest Management Committees at the village level.

Special Category

23. I have been repeatedly requesting the state Government of India for declaring Orissa as a Special Category State. This has not yet been favourably considered. Orissa is the poorest State of the Indian Union. As I have mentioned earlier, the gap between the State Per Capita Income and the corresponding National Per Capita income is alarmingly increasing. The State is also in a serious debt trap. A number of other socio-economic indicators in Orissa are far depressing than those in the most Special Category States. Orissa, being the poorest State, has a very weak tax base. In the absence of substantial Central Assistance, the State tends to be an island of poverty and backwardness. There is therefore, a strong case for declaring Orissa as a Special Category State. I, therefore, reiterate my request to the Apex Body for giving instruction to the Planning Commission to have a lenient view on this matter and take appropriate action for declaring Orissa as a Special Category State.

24. Equity considerations must be the corner stone of any development strategy for our country. Growth would be derailed unless the strategy is informed of equity considerations. The Tenth Plan makes a beginning in this direction. My Government endorses the Tenth Plan and commends this to the august house for its approval.

JAI HIND